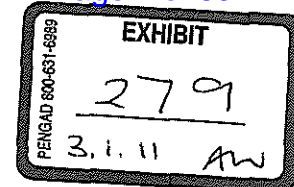


TAB 16



Question 1: Describe your performance, comment on the results achieved related to division and group initiatives. List both planned and unplanned accomplishments. (optional)

Successfully Closed Cheyne SIV

- Successfully closed headline transaction for a key FID client
- I led the execution team, managed the client, designed the structure and drove the significant technology development
- Transaction was highly profitable on a stand-alone basis (\$10MM fees) and generated significant related business (CP fees, ABS trading, repo)
- Transaction establishes a new business stream for MS in which we have a significant competitive advantage and thus produces a reliable revenue stream in coming years
- SIV business also creates a solid, high probability, revenue base from which to expand Morgan Stanley's European CDO team

Significant Current and Future Financial Impact of the Cheyne SIV

- \$7M fees at closing with a further \$3M highly expected to be booked in October 2005 dependent on further capital raising
- MS has a 20/25% share in both management fees and excess spread in the transaction going forward which has an expected PV of \$[15-25]M
- CP dealer fees in 2005 of approx \$0.25M, with ongoing fees expected to be worth \$1-2M per annum
- Fees for repo warehouse in 2005 estimated to be approx \$0.5M
- ABS trading benefited from close relationship established by structuring and sales coverage with Cheyne ABS team. Of the \$2.95BN of assets purchased into the SIV warehouse, 24% of the total assets (\$704M) and 68% of the single-As were sold by MS (easily the leading bank selling assets), with sales credits of approximately \$[1.5-2]M generated. Further purchases have occurred since closing and will occur going forward due to the establishment of the SIV and the enhanced client relationship.
- MS developed a proprietary hedging strategy to allow SIVs to purchase HELs. Several other SIVs have since copied this technology adding literally billions of additional demand (the total SIV market is circa \$180BN in size and had a 0% concentration to HELs before our technology advance) to the HEL market with consequential benefits for our HEL franchise.
- Established market dominant SIV structuring franchise which is expected to result in 1-2 SIV mandates per year with minimal origination marketing required, development of related business lines (e.g. SIV-Lites) and expected revenue generation potentially in excess of \$20M per year

The Technology I Developed for the Cheyne SIV was Critical to its Success and the Development of the Future Business

- MS was the first investment bank to structure a SIV on an agency basis and in this role I substantially developed the SIV product, introducing CDO

technology (e.g. use of tranching, combination and principal protected notes) and various other firsts to the SIV market (e.g. first SIV to have two public ratings on capital notes)

- The technology I developed for this product gives us a dominant position in SIVs and other market value related structures
- The outstanding innovation demonstrated in this deal has caused a significant impact with several key clients (e.g. AXA, IKB) and is a "Deal of the Year" contender
- The technology I have developed puts us in a leading position to develop other products such as SIV-Lites, financing transactions, and new applications of synthetic ABS technology

Significant Positive Impact on Client Relationship

- Transaction further enhanced client relationship with one of FID Europe's leading clients
- European CDO team and I in particular have developed a very close relationship with the heads of the Cheyne ABS team. I am effectively viewed as a strategic partner in their business and am thus well positioned to win future mandates from the team (who will do 1-2 CDOs of ABS per year) or to help utilise their risk taking capacity in other transactions

Have Commenced Development of the CDO of ABS Business in Europe

- Accomplishments listed here concentrate on Cheyne SIV as I was solely staffed on that project for the first 8.5 months of the year
- However, in the 1.5 months since I have made significant first steps to the development of our European CDO of ABS business
- Developed SIV-Lite termsheet and marketing book
- Developed ABS focused marketing materials
- Pursuing other research projects, for instance considering use of financing structures
- Improved coverage and reactivity to ABS related opportunities with the sales force, although I am still expanding my "footprint" with the sales force and with external clients
- Am currently pursuing strong client leads with: Wharton, Cairn and Fortress
- In addition I was responsible for restarting and driving the Aelous transaction at the end of 2004 which is due to close in 4Q2005 with revenues for both the CDO and ABS trading team, and for some early work with the ABS trading team assisting in the development of single name ABS CDS documentation

Management and Training of Junior Resources in the European CDO Team

- On the Cheyne SIV project I successfully managed up to 6 personnel ranging from 1st year analysts to VPs, developing very strong and close working relationships which had a positive impact on morale and productivity

- Continued to act as primary reviewer for two of the analysts in the group

Question 2: Contributions to the company's franchise both internally (e.g., committees, task forces, recruiting) and externally (e.g., industry associations, community activities, volunteerism). (optional)

None

Section 3: Feedback and Suggestions for Strengths and Development Needs

This section contains the standouts you selected in the previous screen. Please provide examples and suggestions for each selection. Responses in this section will help the you understand specifically what to do more of, less of and differently.

Question 3A: The following were identified as standout strengths. Please provide examples of how you have demonstrated these strengths as well as suggestions on how they can be leveraged.

1) Entrepreneurial Spirit/Innovation

- Consistently exhibited a strong ability to generate new ideas and solutions within deal executions and across new products
- Demonstrated innovation primarily through work on the Cheyne SIV execution. Due to the pioneering nature of the transaction and lack of internal expertise, much of the execution process has been a continual stream of innovation and "problem-solving" rather than more typical transaction processing
- This included developing a HEL hedging methodology, a new model for the transaction and adapting and creating a new form of SIV methodology that was presented to the rating agencies and the client for their approval
- Due to the limited experience of the project team members and the absence of adequate market precedents or reference materials, I have, almost exclusively, driven this idea generation and problem solving process
- Although, as a result of my focus on the Cheyne SIV, until recently I have not had time to focus on developing new products, I have recently begun creating a SIV-Lite hybrid structure (combining key features of SIVs and CDOs) that demonstrates my innovation skills and ability to "think outside of the box" in order to create new products allowing us to compete for new business
- I am also in the early stages of exploring other product development ideas including financing trades and further use of synthetic technology in CDO or SIV type structures
- I perceive developing these ideas into actual revenue generation as one of my key goals for next year, as this will give me the opportunity to

demonstrate not only my skill for innovation but my ability to translate good ideas into profitable opportunities for the firm

2) Job knowledge

- Extremely strong product knowledge
- Significant experience and competence gap between my skills and other members of the structuring team has meant that I have played a lead role problem solving, developing new ideas and training
- Am critical to the group's ability to develop new products, and to solve complex client problems
- I also believe my range of non-CDO experience has brought many benefits to the group. For instance I have brought in new structuring ideas from elsewhere in securitisation, familiarity with complex hedging and synthetics. I think I am also able to better "think outside of the box" than colleagues who have exclusively CDO experience. For instance at the start of the Cheyne SIV project, I was able to identify the solution to the clients requirements much quicker than the other two senior structurers who had CDO only backgrounds.

3) Leadership

- Successfully managed the deal team on the Cheyne SIV project despite limited, inexperienced and frequently changing resources
- Over the course of the transaction 15 different people (on the structuring side alone) have contributed to the project, including up to 9 people at any one time. This created challenges due to the loss of experience caused by such turnover and from the sub-optimal fractioning of work that resulted from having limited time allocated by multiple resources
- Despite these circumstances, I succeeded in progressing the transaction forward while maintaining an enjoyable working environment that was conducive to training and educating junior colleagues
- To better leverage resources on the Cheyne SIV project, I adapted my deal management style by improving my ability to delegate areas of the project to others while driving the overall direction and pace of the transaction
- I have not only been managing discrete projects but have also provided a managerial function for the wider CDO group
- To date, I have participated in formal evaluations of junior colleagues and helped manage ongoing staffing constraints, provided within guidance and advice for junior resources both within and outside of the context of a specific transaction
- As a result of my broader management contributions and through leading by example in my day-to-day work, I have effectively been the informal leader of the structuring function within the CDO group

Question 3B) The following were identified as standout development needs. Please provide examples of how you have demonstrated these development needs as well as suggestions on how they can be improved.

1) Client Impact

- Due to my sole focus on the Cheyne SIV transaction for the majority of this year I have had very limited opportunities to work or interact with a wider group of clients
- This has been a source of great personal and professional frustration for me as it has made it impossible to meet one of my key objectives for the year of becoming fully involved in origination activities and developing my presence and reputation both internally and externally
- Given my very strong technical skills, my extensive experience and my proven verbal communication skills I think I am ideally suited to pursuing further origination activities
- I believe that I have proved in my interactions with Cheyne, who have frequently expressed their highest regard for my abilities, that I am capable of making a significant impact with clients and in particular utilising my technical skills to develop closer relationships with clients
- I also believe I have demonstrated my strong communication skills, and ability to successfully explain a complex product, in my frequent and successful investor marketing activities whilst selling the Cheyne SIV

2) Communication Skills

- One area that I senior colleagues have identified as a weakness is in relation to communication
- Due to my strong technical focus I have a tendency to include an excess of technical information in explanatory e-mails (etc)
- I believe this tendency has been magnified as a result of the complexity and newness of the SIV product that I have been developing. In toher words the issues are frequently complex and many of the issues are subtly different than those that arrive on CDOs, and my attempts to explain these subtleties is the cause of the extra information.

3) Supports Firm/Division Initiatives

- Since joining Morgan Stanley I have concentrated on working within the CDO group rather than interacting more extensively with the wider SPG group
- Going forward I would like to change this and broaden my interaction with other related SPG groups in order to capitalise on, as yet, untapped opportunities
- For instance, I would like to explore the use of CDO technology and in particular market value technology, to see how this can link into other areas of the business

Question 4: Goals for 2006

Suggestions for business and/or professional development goals for 2006. State goals as outcomes or results to be achieved. When responding to the question below, consider ways you can contribute to business unit goals, reach professional development goals in the current position and prepare for longer term career growth. Place your cursor in the box. Click to begin typing.

Originate and Close 1-2 SIV Transactions in end 2005/2006

- Reap rewards of the significant investment and work I have led by originating and closing 1-2 SIV transaction and booking the expected \$10m structuring fee per deal
- In co-ordination with product management, help drive the ongoing distribution of the Cheyne SIV capital notes thus further enhancing our client relationship and increasing our excess spread based ongoing revenue
- Establish and enforce "best practices" governing ongoing SIV work (e.g. rules governing each issue of capital) in order to control risks and increase efficiency in this developing business platform

Develop Products Using SIV Technology

- Use the unique depth of the knowledge and competitive advantage acquired in this area over the last 12 months to generate new business in 2006
- In particular, because the continued tightening of ABS spreads has reduced the arbitrage present in traditional cash CDOs of ABS, and because of our lack of a balance sheet to offer TRS or CP puts in relation to high grade ABS CDOs, we should make use of market value and SIV technology to access CP funding in order to compete for high grade CDO of ABS mandates
- Finalise SIV-Lite structure and get approval from rating agencies
- If successful, look to originate and structure 1-2 SIV Lites (dependent on number of SIV mandates taken) per year
- Look to utilise SIV technology in other areas such as financing trades or use of synthetic ABS in order to set up new products or to enhance ability to win other mandates (e.g. use financing vehicles for CDO warehousing). There is a broad range of possible transactions that could employ SIV related technology, such as market value CDOs, hedging instruments and market value based derivatives
- Our ability to push the envelope and become structurally "smarter" combined with the immense informational barriers to entry in this sector (which we ourselves have encountered) will set us apart from our competitors

Drive synthetic ABS business forward

- In tandem with capitalising on SIV technology I am also well placed, as a result of my prior experience working on synthetic CDOs and ABS/MBS transactions, to help drive forward Morgan Stanley's synthetic ABS business
- The potential opportunities that exist from applying credit derivative technology to ABS is vast and to date the European CDO team has not worked together enough with the ABS trading desk to explore these opportunities
- Issue a repeat Aelous CDO for the European ABS trading desk

Increase client interaction and marketing participation and establish a presence in CDOs of ABS in Europe

- Continue to expand the client marketing role I have started to develop in the last 2 months
- To date my focus has primarily been on the execution of mandates rather than winning them and this balance has been an inefficient use of my experience, technical and communication skills
- The depth and breadth of the knowledge I have gained working in the structured finance industry for over 7 years (in CDOs, ABS, CMBS – both from a structuring and modelling perspective as well as in general deal management) puts me in a good position to be an effective marketer
- My aim would be to ensure there is regular dialogue with all targeted CDO of ABS issuers in Europe, with enhanced focus on key clients. This will help establish MS as a shortlisted candidate for future transactions and problem solving exercises, with the intention of winning one CDO of ABS mandate in 2006 whilst establishing the platform and client relationships for 2007

Expand and develop leadership and management role within the CDO group

TAB 17

Question 1: Describe your performance, comment on the results achieved related to division and group initiatives. List both planned and unplanned accomplishments. (optional)

Successfully Closed Cheyne Finance SIV for Key FID Client

- Successfully closed profitable headline transaction for a key FID client
- I led the execution team, managed the client, designed the structure and drove the significant technology development
- I have developed a very close relationship with the heads of the Cheyne ABS team. I am effectively viewed as a strategic partner in their business and am thus well positioned to win future mandates

Significant Current and Future Financial Impact of the Cheyne SIV

- \$7M fees at closing with a further \$3M expected to be booked in Oct 2005
- MS has an ongoing 20/25% share of management fees and excess spread in the transaction which has an expected PV of \$20-35M
- CP dealer fees in 2005 of approx \$0.25M, with ongoing fees expected to be worth \$1-2M per annum
- Profit on repo warehouse in 2005 estimated to be approx \$0.5M
- SPG benefited from close relationship established with Cheyne ABS team. Of the \$2.95BN of assets purchased into the SIV warehouse, 24% of the total assets (\$704M) and 68% of the single-As were sold by MS, generating significant sales credits and helping enhance MS's sales relationship leading to other SPG revenues (e.g. Cheyne entered into a profitable residuals trade with SPG)
- MS developed a proprietary hedging strategy to allow SIVs to purchase HELs which has since been copied by several other SIVs, adding billions of additional demand to the HEL market, with consequential benefits for our HEL franchise in SPG
- Established market dominant SIV structuring franchise which is expected to result in 1-2 SIV mandates per year, development of related business lines and expected revenue generation of \$10-20M per year

The Technology I Developed was Critical to Launching the Cheyne SIV and the Development of Future Business

- I substantially developed the SIV product, introducing CDO technology (e.g. use of tranching, and principal protected notes) and various other firsts to the SIV market
- The outstanding innovation demonstrated on this deal has already had a significant impact with several key clients (e.g. AXA, IKB), the sales force and is a "Deal of the Year" contender
- Transaction establishes a new business stream for MS that should produce a reliable revenue stream in coming years, helping create a solid revenue base from which to expand the European CDO team

Have Commenced Development of the CDO of ABS Business in Europe

- Main accomplishments relate to the Cheyne SIV as I was solely staffed on that project for the first 8.5 months of the year, however, in the last 1.5 months I have made significant first steps in the development of our European CDO of ABS business:
 - Developed SIV-Lite termsheet and marketing book
 - Developed CDO of ABS and SIV focused marketing materials
 - Pursuing other research projects including financing structures and real estate CDOs
 - Improved coverage of ABS related opportunities with the sales force, although I am still expanding my “footprint” with sales and with clients
 - Am currently pursuing strong leads with Wharton, Cairn and Fortress
- In addition I was responsible for restarting the Aelous transaction at the end of 2004 which is due to close in 4Q2005

Question 2: Contributions to the company's franchise both internally (e.g., committees, task forces, recruiting) and externally (e.g., industry associations, community activities, volunteerism). (optional)

N/A

Section 3: Feedback and Suggestions for Strengths and Development Needs

This section contains the standouts you selected in the previous screen. Please provide examples and suggestions for each selection. Responses in this section will help the you understand specifically what to do more of, less of and differently.

Question 3A: The following were identified as standout strengths. Please provide examples of how you have demonstrated these strengths as well as suggestions on how they can be leveraged.

1) Entrepreneurial Spirit/Innovation

- Consistently exhibited a strong ability to generate new ideas and solutions within deal executions and across new products
- Demonstrated innovation primarily through work on the Cheyne SIV execution. Due to the pioneering nature of the transaction and lack of internal expertise, much of the execution process has been a continual stream of innovation and “problem-solving” which, due to the limited experience of the project team and the absence of adequate market precedents or reference materials, I have, almost exclusively, driven
- I have recently begun creating a SIV-Lite hybrid structure (combining key features of SIVs and CDOs) and am in the early stages of exploring other product development ideas including financing transactions

2) Job Knowledge

- I have strong technical skills, broad market knowledge and extensive structuring experience which makes me critical to the group's ability to solve complex client problems, originate new mandates, and to train members of the group
- I have highly developed technical skills and experience, having previously run an ABS modelling group, and am able to use those skills to work with and oversee the analysts in order to enhance our modelling capabilities (e.g. in the development of the SIV Monte Carlo model)
- Having structured over 20 deals over a 7 year period I am very familiar with the range of structures and deals in the market and I actively keep myself up to date with new developments in order to ensure that we are at the cutting edge of structuring technology
- I believe my range of non-CDO experience has brought many benefits to the group. For instance I have brought in new structuring ideas from elsewhere in securitisation and familiarity with complex hedging and synthetics

3) Leadership

- Successfully managed the deal team on the Cheyne SIV project despite the complexity of the project and a large (up to 13 different people were involved on the structuring side at different times) and relatively inexperienced team
- Through the appropriate mix of delegation and supervision I succeeded in closing the transaction whilst developing strong working relationships within the group, which had a positive impact on morale and productivity and was conducive to training of junior colleagues
- I have also provided a general managerial function for the CDO group, participating in formal evaluations of junior colleagues (was primary reviewer for two of the analysts) and helping manage ongoing staffing constraints, and providing guidance and advice for junior colleagues

Question 3B) The following were identified as standout development needs. Please provide examples of how you have demonstrated these development needs as well as suggestions on how they can be improved.

1) Client Impact

- Due to my focus on the Cheyne SIV for the majority of this year I have had very limited opportunities to interact with a wider range of clients
- As a result I have been unable to meet one of my key objectives for the year of becoming fully involved in origination activities and developing my profile both internally and externally
- Given my skillset and extensive deal experience I think I am ideally suited to pursuing further origination activities
- I believe that I have proved in my interactions with Cheyne, who have frequently expressed their highest regard for my abilities, that I am capable of making a significant impact with clients

- I also believe I have demonstrated my strong communication skills, and ability to successfully explain a complex product, in my frequent and successful investor marketing activities whilst selling the Cheyne SIV

2) Communication Skills

- Due to my strong technical focus I have a tendency to include an excess of technical or overly detailed information when presenting a problem or discussion point
- I believe this tendency has been magnified as a result of the complexity and uniqueness of the SIV product. The issues on the SIV transaction were frequently complex and were often subtly different than those that arise on CDOs, and my attempts to explain these subtleties is often the cause of the greater detail provided
- However, in client situations (such as during investor marketing) I believe I have consistently shown an ability to effectively summarise and communicate complex issues, thus proving that I am capable of addressing this issue and communicating effectively when focused
- I demonstrated this capability recently when producing and presenting a concise SIV business plan to senior sales management, and when presenting the SIV structure to target clients
- Going forward, I intend to focus on this area in all communications, and I believe my greater involvement in origination will help this process

Question 4: Goals for 2006

Suggestions for business and/or professional development goals for 2006. State goals as outcomes or results to be achieved. When responding to the question below, consider ways you can contribute to business unit goals, reach professional development goals in the current position and prepare for longer term career growth. Place your cursor in the box. Click to begin typing.

Lead and Develop Our SIV Business

- Originate and close 1-2 SIV transactions (expected \$10m fee per deal)
- Help drive the ongoing distribution of the Cheyne SIV capital notes, further enhancing our client relationship and increasing our ongoing revenue
- Establish and enforce "best practices" governing ongoing SIV work (e.g. rules covering each issue of capital) in order to control operational risks and increase efficiency in this developing business platform

Develop New Products

- Use the unique depth of knowledge and competitive advantage acquired in the SIV area to generate new products or to enhance ability to win mandates (e.g. use financing vehicles for CDO warehousing)

- In particular, given our inability to offer TRS or CP puts in relation to high grade ABS CDOs, we should make use of market value technology to access CP funding in order to compete for high grade CDOs of ABS:
 - Finalise SIV-Lite structure and if successful, originate 1-2 SIV Lites (dependent on number of SIV mandates taken) per year
- Develop real estate CDO methodology in Europe for completing Blackrock mandate

Contribute to Synthetic ABS Business

- As a result of my prior experience working on synthetic CDOs and ABS transactions, I am well placed to work with SPG trading to help progress MS's synthetic ABS business in Europe
- Develop closer working relationships with SPG trading in order to explore the enormous potential opportunities in this area
- Issue repeat Aelous CDOs for the European SPG trading desk

Increase Marketing Participation and Establish a European ABS CDO Business

- Continue to expand the client marketing role I have started to develop in the last 2 months with a focus on ABS related opportunities/clients
- My aim would be to ensure there is regular dialogue with all targeted CDO of ABS issuers in Europe, with enhanced focus on key clients. This will help establish MS as a shortlisted candidate for future transactions, with the intention of winning 1-2 CDO of ABS mandates in 2006 whilst establishing the platform and client relationships for 2007

Continue and Expand Leadership and Management Role within the CDO Group

- Continue to provide both formal and informal mentoring and management within the European CDO team

TAB 18

309

311

1 UNITED STATES DISTRICT COURT
 2 SOUTHERN DISTRICT OF NEW YORK
 3
 4 ABU DHABI COMMERCIAL BANK,)
 5 et al., Individually and On)
 6 Behalf of All Others Similarly)
 7 Situated,)
 8 Plaintiffs,)
 9 vs.) No: 1:08-cv-07508
 10 MORGAN STANLEY & CO.)
 11 INCORPORATED, et al.,) Volume II
 12 Defendant.)
 13 -----
 14
 15 HIGHLY CONFIDENTIAL
 16 ATTORNEYS' EYES ONLY
 17
 18 DEPOSITION OF GREGG DRENNAN
 19 Tuesday 1 March 2011
 20 At: 9:00 am
 21 REPORTED BY: AILSA WILLIAMS
 22 Accredited Livenote Reporter, MISW
 23
 24
 25 Pages 309 - 482

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310

312

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1 THE VIDEOGRAPHER: We are on the record at
 2 9:04 on March 1, 2011, and this is the continued
 3 videotaped deposition of Gregg Drennan.
 4 MR. DROSMAN: Good morning, Mr. Drennan.
 5 A Good morning.
 6 Q I am going to show what we will mark as
 7 plaintiff's Exhibit 263 for identification.
 8 (Exhibit Plaintiff's 263 marked for identification).
 9 If you would go ahead and take a look at Exhibit
 10 263 and let me know when you are through reviewing the
 11 document. I will note for the record that Exhibit 263
 12 consists of an e-mail string bearing Bates numbers Z0404517
 13 to Z40404519.
 14 A Yes.
 15 Q Are you through reviewing the document?
 16 A Yes.
 17 Q You sent this e-mail, is that correct?
 18 A I presume so, yes.
 19 Q And you sent it on May 18, 2004?
 20 A It would appear so, yes.
 21 Q You sent it to Mr. Mallinson and cc'd some
 22 other people?
 23 A Yes, it would appear so.
 24 Q And the subject was "Re: Cheyne contact
 25 deals". Is that correct?

469

471

1 convincing as to their appropriateness as LEAs."
 2 Did I read that correctly?
 3 A I believe so, yes.
 4 Q And you wrote that, right, sir?
 5 A I believe so, yes.
 6 Q And what did you find convincing about the
 7 fact that LEAs were the most significant part of the
 8 entire global ABS market?
 9 MR. HALL: Object to form.
 10 MR. ROUHANDEH: Object to form.
 11 A What I have stated is that -- let me step
 12 back. The general flow of these proposals was that we
 13 had spoken to them initially, they had requested various
 14 details, and we had provided an updated analysis
 15 providing many, although it would appear not all of the
 16 data that they had requested. On the basis of that
 17 data, as of 16 January, 2007, I clearly felt that the
 18 data we had presented was convincing. I particularly
 19 highlighted one of the elements, although I think the
 20 intent of the sentence is clear that it is not just that
 21 element, which was that LEAs were the largest part of
 22 the entire ABS market. I cannot remember the precise
 23 numbers but I remember something in the region of more
 24 than 50 percent of the US ABS market, I think it was,
 25 new issuance in 2006 was home equity loans. Again, my

1 the haircuts, so you would have to compare these
 2 haircuts to other liquidity eligible assets to see how
 3 much they were being penalized in relative terms.
 4 Q I didn't ask about haircuts, sir. I just
 5 asked whether S&P ultimately agreed to use HELs as LEAs?
 6 MR. ROUHANDEH: Objection to form.
 7 A I broadly understood they approved it, and
 8 that is what the final e-mail in this trail seems to do,
 9 although their approval is only for the up to three year
 10 weighted average life home equity loans. Given their
 11 ongoing concerns, as stated in the previous e-mails
 12 about trading volumes in the 3-5 year sector, and
 13 presumably other reasons, but that is the prime reason
 14 that has been mentioned in the e-mail trail.
 15 Q I will show you what we will mark as
 16 plaintiff's Exhibit 279 for identification.
 17 (Exhibit Plaintiff's 279 marked for identification)
 18 Please review plaintiff's Exhibit 279. For the
 19 record, I will indicate that plaintiff's Exhibit 279 bears
 20 Bates numbers MS underscore 000558823 to MS underscore
 21 000558829.
 22 A Okay.
 23 Q This is a draft of your 2005 assessment,
 24 right, sir?
 25 A I am not sure how I am supposed to know

470

472

1 broad understanding from the time was that there was a
 2 reasonable high amount of trading in home equity loans,
 3 and on that basis that seemed to me to be the primary
 4 idea of the liquidity eligible asset, which is an asset
 5 for which there was a ready market and that could be
 6 sold on short notice.
 7 Q You indicate that "much of the data you
 8 understandably would ideally like to see is not
 9 available". What data did S&P ask for?
 10 A I can't remember the precise details. I
 11 believe it was things along the lines of trading
 12 volumes, bid offer spreads, issuance levels and things
 13 like that, which were, you know, various quantitative
 14 measures that could be used to judge the liquidity, how
 15 much liquidity there was in an asset class, so
 16 presumably they could compare that to the data they
 17 received on other liquidity eligible assets on similar
 18 bases.
 19 Q Did S&P ultimately agree to include or use
 20 HELs as LEAs?
 21 A On the basis of this e-mail they appear to
 22 have approved the use of 0-3 year liquidity home equity
 23 loans, weighted average life home equity loans as
 24 liquidity eligible assets, with specified haircuts.
 25 Note that the liquidity benefit of an LEA is linked to

1 that. It clearly bears a resemblance to the attachment
 2 in Exhibit 256, which we concluded was likely my final
 3 2005 review, although we do not know that for a
 4 definitive certainty. At a quick comparison, the two
 5 look similar, but clearly are not the same, so I am not
 6 sure as to which would be the first and which would be
 7 the final.
 8 Q You understand that this is some version
 9 of your self-assessment for 2005, right?
 10 A That would appear likely, given question 4
 11 on page 828 is entitled: "Goals for 2006."
 12 Q Let's take a look at page 828, question 4:
 13 "Goals for 2006." Do you see the heading in the middle
 14 of the page says: "Develop products using SIV
 15 technology."
 16 A Yes.
 17 Q And the final bullet point there refers
 18 to: "Our ability to push the envelope". Do you see
 19 that?
 20 A Yes.
 21 Q And that is what you were doing with
 22 respect to SIVs during 2005, were you not, sir, pushing
 23 the envelope?
 24 MR. ROUHANDEH: Object to form.
 25 MR. HALL: Object to form.

473

475

1 A What we were doing on the Cheyne SIV
2 structure was trying to take the base SIV structure,
3 which had been developed as far back as 1988, and which
4 had been continued successfully for that period, and to
5 make certain tweaks to that structure which we and the
6 client felt enhanced the structure.

7 Q These are your words, right: "Our ability
8 to push the envelope." Those are your words, sir?

9 MR. ROUHANDEH: Object to form.

10 A Those are the words in a draft review,
11 which I don't think made the final review.

12 Q Words that you wrote, right, sir?

13 MR. ROUHANDEH: Object to form.

14 A Draft words I wrote.

15 Q Draft words you wrote?

16 A Words I wrote in a draft review which, on
17 the basis that this is a draft review and the earlier
18 was a final review were not included in the final
19 review. So clearly at some point I felt they were not
20 appropriate.

21 Q You were pushing the envelope, weren't
22 you, sir?

23 MR. ROUHANDEH: Objection to form.

24 A Were we trying to use technologies from
25 elsewhere, in a structured credit market, in the SIV

1 time is 3:02.

2 (A short break)

3 THE VIDEOGRAPHER: This marks the beginning of
4 videotape number 4. Back on the record. The time is
5 3:22.

6 MR. DROSMAN: I have no more questions for
7 Mr. Drennan at this time.

8 A I just want to actually add one additional
9 information to one of the questions asked yesterday.
10 You asked a question, I can't remember the precise
11 wording, about was there anyone else that I had
12 discussed the case with. In addition to the individuals
13 listed yesterday, I wanted to add -- it came to mind
14 subsequently -- some other individuals. One former, or
15 one or possibly two former Morgan Stanley employees, who
16 were not involved with the project, Hiram Hamilton and
17 possibly Anushka Rajiyah, and two additional RBS lawyers
18 in addition to the one I referred to yesterday. One
19 other lawyer, a personal friend of mine, and my fiancée.

20 Q You said you spoke to Mr. Hamilton about
21 the Cheyne SIV litigation?

22 A Purely in that I still have an ongoing
23 relationship with Hiram and with Anushka, who was a
24 member of the Morgan Stanley CDO team, and who now works
25 for Hiram Hamilton. They both are clients of mine at

474

476

1 sector, and hence move the SIV product forward? Yes.
2 That can be described in a positive fashion as "pushing
3 the envelope".

4 Q You were pushing the envelope with respect
5 to the Cheyne SIV, weren't you, sir?

6 MR. ROUHANDEH: Objection to form.

7 MR. HALL: Object to form.

8 MR. ROUHANDEH: Asked and answered.

9 A I have already answered the question.

10 Q Do you refuse to answer that question?

11 You were pushing the envelope with respect to the Cheyne
12 SIV, weren't you, sir?

13 MR. ROUHANDEH: Objection to form.

14 Argumentative. He answered it already.

15 A I have explained how in the SIV sector we,
16 as a new entrant to that sector, had not been involved
17 in any SIVs before the Cheyne project, looked at the
18 structure of the SIVs within the sector, and made
19 amendments to those structure we felt was positive to
20 the structure. That involved using structural
21 innovations and, if you want to call it that, pushing
22 the envelope.

23 MR. DROSMAN: I want to go ahead and take a
24 brief break.

25 THE VIDEOGRAPHER: Going off the record. The

1 this time. I believe in a conversation with them, I
2 believe just with Hiram but it may also have been with
3 Anushka, is that I mentioned the existence of the case,
4 nothing more than that broadly the case was existing,
5 and myself and possibly I may have mentioned Dorothee
6 had also been called as witnesses.

7 Q When did you speak to Mr. Hamilton about
8 the case?

9 A I spoke to Hiram in December. I mentioned
10 when I referred to Peter Fagan and Ronan Mellon, meeting
11 with some old members of the team. I have also spoken
12 to him in January in relation to current business
13 matters. It was on one of those two occasions. I
14 cannot remember which of the two occasions.

15 Q Where is Mr. Hamilton currently employed?

16 A He is currently employed at Alcentra, who
17 are a CLO asset manager.

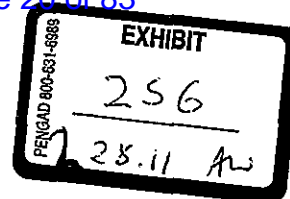
18 Q When you spoke to him in either December
19 or January, Anushka -- what is her last name?

20 A R-A-J-I-Y-A-H.

21 Q Anushka Rajiyah may have been present. Is
22 that your testimony?

23 A Yes, she works -- she is essentially
24 Hiram's right hand man at Alcentra, woman, sorry. So I
25 remember speaking with Hiram but it is very possible she

TAB 19



Content-Transfer-Encoding: 7bit
 Received: from OYWEXBH01.msad.ms.com ([172.24.133.79]) by
 PAWEXOB01.msad.ms.com with Microsoft SMTPSVC(6.0.3790.211); Mon, 7 Aug 2006
 17:24:54 -0400
 Importance: normal
 Priority: normal
 Received: from LNWEXMB29.msad.ms.com ([172.24.229.29]) by
 OYWEXBH01.msad.ms.com with Microsoft SMTPSVC(6.0.3790.211); Mon, 7 Aug 2006
 22:24:53 +0100
 X-MimeOLE: Produced By Microsoft MimeOLE V6.00.3790.504
 Content-Class: urn:content-classes:message
 MIME-Version: 1.0
 Content-Type: multipart/mixed;
 boundary="-----=_NextPart_001_01C6BA67.EBD970D8"
 Subject:
 Date: Mon, 7 Aug 2006 22:24:52 +0100
 Message-ID: <12EF4B5099B44E4B9C9E0E77CD52B1C0028249AD@LNWEXMB29.msad.ms.com>
 X-MS-Has-Attach:
 X-MS-TNEF-Correlator:
 Thread-Index: Aca6Z+u9Hi0X1EKySP67sKGXlmf0Eg==
 From: "Drennan, Gregg \ (FID\)" <Gregg.Drennan@morganstanley.com>
 To: "Leone Razali" <Leone@razali.wanadoo.co.uk>
 Return-Path: <Gregg.Drennan@morganstanley.com>
 X-OriginalArrivalTime: 07 Aug 2006 21:24:53.0538 (UTC)
 FILETIME=[EC4B1820:01C6BA67]
 Cc:
 BCC: leone@razali.wanadoo.co.uk

Gregg Drennan - Vice President
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2006.review.v1-27136-1104817.doc



2005.review.v5-61952-2859343.doc

- 1) Complete Build-Out of SIV, ABS CDO and RE CDO Businesses in Europe
 - Starting in Sep 05 I started to lead the build out these business lines, which our European rivals do not generally focus on, within the European CDO team.
 - Considerable progress has been made on each of these initiatives:
 - a) Additional SIV and ABS CDO mandates won for IKB, Prudential and Cairn
 - b) Cairn, Prudential and Blackrock mandates expected to close in 2006
 - c) Considerable progress made growing Cheyne SIV to c.\$8Bn within its first year of trading, with Morgan Stanley's share of fees now estimated at \$25M+
 - d) Strong working relationships established with key members of the CMBS team for the development of the RE CDO business
 - e) Development of effective relationship with US ABS CDO team, which is critical given the US ABS focus of many of the clients that I cover, and which has helped the execution of the Cairn CDO mandate and the origination of the Blackrock SIV
 - f) Growth of Cheyne SIV and SIV investor base, which is key to our focus on the SIV product going forward, and which has given us confidence to take on additional mandates
 - g) Development, without a prior base, of core marketing materials for each of these products
 - h) Rebuilding and expansion of SIV simulation model
 - Whilst I am proud of the achievements above, I do not believe that I have made as much progress in these areas as would have been possible if I had more experienced and more extensive support
 - In part due to my achievements to date, Morgan Stanley has a first mover advantage in both SIVs and European real estate CDOs, and it is critical for the development of the business that we take fuller advantage of this in the coming year
 - I would like to continue to lead the challenge of building these business areas,

2) Step Away from the Day to Day Execution

3) Increase Client Coverage and Proactive Marketing

3) z

1) Leadership within European CDO Team

- The European CDO team has gone through a period of substantial change, realignment and growth, with several experienced individuals leaving the group, and a large number of mostly inexperienced individuals joining, at a time when the activity level of the group has expanded significantly
- This situation has put considerable pressure on the more experienced, senior members of the team such as myself
- I also believe I have achieved this whilst working
- Finally, I have [recruiting and managing within group]

2) Strong Impact in Client Pitch Situations

- In the last year I have been given the opportunity to lead origination activities in Europe in relation to CDOs of ABS and real estate and in relation to SIVs and SIV-Lites both in Europe and assisting on a global basis

3)

1) Overcommunication

2)

Question 1: Describe your performance, comment on the results achieved related to division and group initiatives. List both planned and unplanned accomplishments. (optional)

Successfully Closed Cheyne Finance SIV for Key FID Client

- Successfully closed profitable headline transaction for a key FID client
- I led the execution team, managed the client, designed the structure and drove the significant technology development
- I have developed a very close relationship with the heads of the Cheyne ABS team. I am effectively viewed as a strategic partner in their business and am thus well positioned to win future mandates

Significant Current and Future Financial Impact of the Cheyne SIV

- \$7M fees at closing with a further \$3M expected to be booked in Oct 2005
- MS has an ongoing 20/25% share of management fees and excess spread in the transaction which has an expected PV of \$20-35M
- CP dealer fees in 2005 of approx \$0.25M, with ongoing fees expected to be worth \$1-2M per annum
- Profit on repo warehouse in 2005 estimated to be approx \$0.5M
- SPG benefited from close relationship established with Cheyne ABS team. Of the \$2.95BN of assets purchased into the SIV warehouse, 24% of the total assets (\$704M) and 68% of the single-As were sold by MS, generating significant sales credits and helping enhance MS's sales relationship leading to other SPG revenues (e.g. Cheyne entered into a profitable residuals trade with SPG)
- MS developed a proprietary hedging strategy to allow SIVs to purchase HELs which has since been copied by several other SIVs, adding billions of additional demand to the HEL market, with consequential benefits for our HEL franchise in SPG
- Established market dominant SIV structuring franchise which is expected to result in 1-2 SIV mandates per year, development of related business lines and expected revenue generation of \$10-20M per year

The Technology I Developed was Critical to Launching the Cheyne SIV and the Development of Future Business

- I substantially developed the SIV product, introducing CDO technology (e.g. use of tranching, and principal protected notes) and various other firsts to the SIV market
- The outstanding innovation demonstrated on this deal has already had a significant impact with several key clients (e.g. AXA, IKB), the sales force and is a "Deal of the Year" contender
- Transaction establishes a new business stream for MS that should produce a reliable revenue stream in coming years, helping create a solid revenue base from which to expand the European CDO team

Have Commenced Development of the CDO of ABS Business in Europe

- Main accomplishments relate to the Cheyne SIV as I was solely staffed on that project for the first 8.5 months of the year, however, in the last 1.5 months I have made significant first steps in the development of our European CDO of ABS business:
 - Developed SIV-Lite termsheet and marketing book
 - Developed CDO of ABS and SIV focused marketing materials
 - Pursuing other research projects including financing structures and real estate CDOs
 - Improved coverage of ABS related opportunities with the sales force, although I am still expanding my "footprint" with sales and with clients
 - Am currently pursuing strong leads with Wharton, Cairn and Fortress
- In addition I was responsible for restarting the Aelous transaction at the end of 2004 which is due to close in 4Q2005

Question 2: Contributions to the company's franchise both internally (e.g., committees, task forces, recruiting) and externally (e.g., industry associations, community activities, volunteerism). (optional)

N/A

Section 3: Feedback and Suggestions for Strengths and Development Needs

This section contains the standouts you selected in the previous screen. Please provide examples and suggestions for each selection. Responses in this section will help the you understand specifically what to do more of, less of and differently.

Question 3A: The following were identified as standout strengths. Please provide examples of how you have demonstrated these strengths as well as suggestions on how they can be leveraged.

1) Entrepreneurial Spirit/Innovation

- Consistently exhibited a strong ability to generate new ideas and solutions within deal executions and across new products
- Demonstrated innovation primarily through work on the Cheyne SIV execution. Due to the pioneering nature of the transaction and lack of internal expertise, much of the execution process has been a continual stream of innovation and "problem-solving" which, due to the limited experience of the project team and the absence of adequate market precedents or reference materials, I have, almost exclusively, driven
- I have recently begun creating a SIV-Lite hybrid structure (combining key features of SIVs and CDOs) and am in the early stages of exploring other product development ideas including financing transactions

2) Job Knowledge

- I have strong technical skills, broad market knowledge and extensive structuring experience which makes me critical to the group's ability to solve complex client problems, originate new mandates, and to train members of the group
- I have highly developed technical skills and experience, having previously run an ABS modelling group, and am able to use those skills to work with and oversee the analysts in order to enhance our modelling capabilities (e.g. in the development of the SIV Monte Carlo model)
- Having structured over 20 deals over a 7 year period I am very familiar with the range of structures and deals in the market and I actively keep myself up to date with new developments in order to ensure that we are at the cutting edge of structuring technology
- I believe my range of non-CDO experience has brought many benefits to the group. For instance I have brought in new structuring ideas from elsewhere in securitisation and familiarity with complex hedging and synthetics

3) Leadership

- Successfully managed the deal team on the Cheyne SIV project despite the complexity of the project and a large (up to 13 different people were involved on the structuring side at different times) and relatively inexperienced team
- Through the appropriate mix of delegation and supervision I succeeded in closing the transaction whilst developing strong working relationships within the group, which had a positive impact on morale and productivity and was conducive to training of junior colleagues
- I have also provided a general managerial function for the CDO group, participating in formal evaluations of junior colleagues (was primary reviewer for two of the analysts) and helping manage ongoing staffing constraints, and providing guidance and advice for junior colleagues

Question 3B) The following were identified as standout development needs. Please provide examples of how you have demonstrated these development needs as well as suggestions on how they can be improved.

1) Client Impact

- Due to my focus on the Cheyne SIV for the majority of this year I have had very limited opportunities to interact with a wider range of clients
- As a result I have been unable to meet one of my key objectives for the year of becoming fully involved in origination activities and developing my profile both internally and externally
- Given my skillset and extensive deal experience I think I am ideally suited to pursuing further origination activities
- I believe that I have proved in my interactions with Cheyne, who have frequently expressed their highest regard for my abilities, that I am capable of making a significant impact with clients

- I also believe I have demonstrated my strong communication skills, and ability to successfully explain a complex product, in my frequent and successful investor marketing activities whilst selling the Cheyne SIV

2) Communication Skills

- Due to my strong technical focus I have a tendency to include an excess of technical or overly detailed information when presenting a problem or discussion point
- I believe this tendency has been magnified as a result of the complexity and uniqueness of the SIV product. The issues on the SIV transaction were frequently complex and were often subtly different than those that arise on CDOs, and my attempts to explain these subtleties is often the cause of the greater detail provided
- However, in client situations (such as during investor marketing) I believe I have consistently shown an ability to effectively summarise and communicate complex issues, thus proving that I am capable of addressing this issue and communicating effectively when focused
- I demonstrated this capability recently when producing and presenting a concise SIV business plan to senior sales management, and when presenting the SIV structure to target clients
- Going forward, I intend to focus on this area in all communications, and I believe my greater involvement in origination will help this process

Question 4: Goals for 2006

Suggestions for business and/or professional development goals for 2006. State goals as outcomes or results to be achieved. When responding to the question below, consider ways you can contribute to business unit goals, reach professional development goals in the current position and prepare for longer term career growth. Place your cursor in the box. Click to begin typing.

Lead and Develop Our SIV Business

- Originate and close 1-2 SIV transactions (expected \$10m fee per deal)
- Help drive the ongoing distribution of the Cheyne SIV capital notes, further enhancing our client relationship and increasing our ongoing revenue
- Establish and enforce "best practices" governing ongoing SIV work (e.g. rules covering each issue of capital) in order to control operational risks and increase efficiency in this developing business platform

Develop New Products

- Use the unique depth of knowledge and competitive advantage acquired in the SIV area to generate new products or to enhance ability to win mandates (e.g. use financing vehicles for CDO warehousing)

- In particular, given our inability to offer TRS or CP puts in relation to high grade ABS CDOs, we should make use of market value technology to access CP funding in order to compete for high grade CDOs of ABS:
 - Finalise SIV-Lite structure and if successful, originate 1-2 SIV Lites (dependent on number of SIV mandates taken) per year
- Develop real estate CDO methodology in Europe for completing Blackrock mandate

Contribute to Synthetic ABS Business

- As a result of my prior experience working on synthetic CDOs and ABS transactions, I am well placed to work with SPG trading to help progress MS's synthetic ABS business in Europe
- Develop closer working relationships with SPG trading in order to explore the enormous potential opportunities in this area
- Issue repeat Aelous CDOs for the European SPG trading desk

Increase Marketing Participation and Establish a European ABS CDO Business

- Continue to expand the client marketing role I have started to develop in the last 2 months with a focus on ABS related opportunities/clients
- My aim would be to ensure there is regular dialogue with all targeted CDO of ABS issuers in Europe, with enhanced focus on key clients. This will help establish MS as a shortlisted candidate for future transactions, with the intention of winning 1-2 CDO of ABS mandates in 2006 whilst establishing the platform and client relationships for 2007

Continue and Expand Leadership and Management Role within the CDO Group

- Continue to provide both formal and informal mentoring and management within the European CDO team

TAB 20

From: Gärtner, Frank
Sent: Wednesday, February 21, 2007 9:17:43 PM
To: Ryan, Neil
Subject: AW: Re: WG: rhinebridge:: budget costs + closing

Will get in early as well.

Ms will receive nothing if there is no closing.

Reinkes reaction will probably be 'forget s+p, we go with fitch + moodys only'.

- is that a marketable approach?

- do we know whether fitch + moodys will rate the scns aaa?

- would ms continue without s+p?, etc

Vertrauliche E-Mail von der / Confidential e-mail from IKB Deutsche Industriebank AG

Beste Grüße/Gruss,

Frank.

Frank Gärtner

Solicitor, Rechtsanwalt

IKB Deutsche Industriebank AG

Bereich RV (Recht und Verträge)

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website: www.ikb.de

Rechtsform Aktiengesellschaft

Sitz Düsseldorf

Handelsregister Amtsgericht Düsseldorf B Nr. 1130

Vorsitzender des Aufsichtsrats: Ulrich Hartmann

Vorstand: Volker Doberanzke, Markus Guthoff, Claus Momburg, Stefan Ortseifen

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-----Original Message-----

From: Ryan, Neil

To: Gärtner, Frank

Sent: Wed Feb 21 20:33:35 2007

Subject: Re: WG: rhinebridge:: budget costs + closing

Your miniclosing is what Gregg just suggested to me (but Reinke rejected last week with Diana). The news gets better - S&P just confirmed that they would not rate the SCN AAA! Gregg is now asking me to lobby S&P but the guy was clear. He also suggested that they might not rate the deal!!! I think, at this stage, MS must know that they will not get \$12m! If you are in early tomorrow we can discuss. I'll be in at 7. N

-----Original Message-----

From: Gärtner, Frank

To: Ryan, Neil

Sent: Wed Feb 21 20:13:26 2007

Subject: WG: rhinebridge:: budget costs + closing

Neil i called thomas soehlike yesterday evening. This was as a result of stephens and my discussion with ms + sidleys. In that discussion sidleys came up with a few regulatory issues which i was prepared for due to what i had learned for the regulatory level one exam - that was actually quite funny. Anyway sidleys kept at it and after the call stephen got a quote of gbp 15 - 20 K if mayers were to do additional uk regulatory work. Turns out that we can throw up to eur 150k in addition to the eur 800k at mayers if thats whats needed.

We are still below the eur 800k but i wanted to have the comfort of knowing what we could do if say in 2 weeks or so

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IKB000143551

we feel we must throw more at it than expected.

What is needed? As a result of a few words by reinke the other day and what soehlke said yesterday ive started to entertain the idea of a miniclosing at the end of march. We could close the capital notes programme and liquidity and have all cp + mtn dealers etc signed on and closed by end of april.

What do you think? Does it make sense? How would it go down with the raters and interested investors?

It would give us more bargaining power in our current discussions with ms and we could blame ms for the delay (after all they were even more late with cheney)

Vertrauliche E-Mail von der / Confidential e-mail from IKB Deutsche Industriebank AG

Beste GrÃ¼sse/Gruss,

Frank.

Frank GÃ¼rtner

Solicitor, Rechtsanwalt

IKB Deutsche Industriebank AG

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mailto: Frank.Gaertner@ikb.de

website: www.ikb.de

Rechtsform Aktiengesellschaft

Sitz DÃ¼sseldorf

Handelsregister Amtsgericht DÃ¼sseldorf B Nr. 1130

Vorsitzender des Aufsichtsrats: Ulrich Hartmann

Vorstand: Volker Doberanzke, Markus Guthoff, Claus Momburg, Stefan Ortseifen

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-----Original Message-----

From: Day, Stephen <SDay@mayerbrownrowe.com>

To: GÃ¼rtner@mail21.mayerbrownrowe.com <GÃ¼rtner@mail21.mayerbrownrowe.com>; GÃ¼rtner, Frank

CC: Hitselberger, Carol A. <CHitselberger@mayerbrownrowe.com>; Handa, Neal <NHanda@mayerbrownrowe.com>

Sent: Tue Feb 20 22:36:36 2007

Subject: Sicherheitshinweis beachten ::Standard of Care

<<Manager Standard.DOC>>

<<Redline.doc>> Frank,

Apologises for the delay on this, I was held up on other matters (all IKB !). Attached are the changes I suggest we make to the Manager Standard up front

TAB 21

From: McCabe, Stephen
Sent: Thursday, March 01, 2007 11:20 AM
To: Guadagnuolo, Lapo
Subject: RE: Update on the AAA rating for Senior Capital Notes
Did at any point you expect him to go away quietly???

Stephen

-----Original Message-----

From: Drennan, Gregg (FID) [mailto:Gregg.Drennan@morganstanley.com]
Sent: Thursday, March 01, 2007 4:15 PM
To: Guadagnuolo, Lapo; Katugampola, Navindu (FID); Inglis, Perry; Wallis, Stephen; Neil.Ryan@ikb-cam.de; Valev, Iskren (FID); Chen, Gracie (FID); Frank.Gaertner@ikb.de; McCabe, Stephen
Subject: RE: Update on the AAA rating for Senior Capital Notes

Lapo,

We are ok for the same rating stresses to be applied (e.g. same market value drop), however we expect the structural features to differ in relation to the senior notes (SNs) and the senior capital notes (SCNs) - ie loss of AAA rating for the SNs will lead to defeasance but loss of AAA rating for SCNs will not result in defeasance but in restricted investments. I believe your committee is mistakenly tying together two distinct concepts.

The key question is, considering the SIV structure and note features, should loss of either rating result in defeasance:

- a) If the SIV loses its A-1+/AAA SN rating it will likely be prohibitively expensive to continue business and it may not even be possible to refinance the SNs, which have an expected WAL of 6 months, hence resulting in liquidation of assets and recognition of market value losses. As such the defeasance trigger simply formally forces a funding stop on raising SNs which likely would have happened anyway.
- b) In contrast loss of the SCN rating, whilst having negative reputational effects, will not cause liquidation of the portfolio. Even if the SCNs, with an expected WAL of 5yrs, are shortly coming due and cannot be refinanced, the structure is protected by the 3 year legal tail on the SCNs, and the fact that failure to repay SCNs at expected maturity is a restricted investments event. Amortisation of the assets will therefore be used to ensure repayment of SCNs and other liabilities (e.g. the structure isn't exposed to losses caused by forced liquidation) - note that the capital note maturity test specifically tests the ability of asset amortisations to cover liability amortisations.

Please explain why, in the 2nd case, where the downgrade of the SCNs would not otherwise result in liquidation and realised market value losses, you wish there to be a liquidation and realised losses forced on capital noteholders?

Also, we believe that as long as different structural triggers and the risks involved are clearly explained to investors, this is the key consideration.

I would also stress that your feedback seems illogical given:

- it implies both the SCNs and the MCNs would have the same A rating
- the fact that the recent SIV-Lites have significantly lower subordination below AAA and AA than we are proposing for broadly similar portfolios

Yours,

Gregg Drennan - Executive Director

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London, E14 4QW
Phone: +44 20 7677-6967
Mobile: +44 77951-27591
Fax: +44 20 7677-4328
Gregg.Drennan@morganstanley.com

From: Guadagnuolo, Lapo [mailto:Lapo_Guadagnuolo@standardandpoors.com]

Sent: 26 February 2007 12:03

To: Katugampola, Navindu (FID); Inglis, Perry; Wallis, Stephen; Neil.Ryan@ikb-cam.de; Drennan, Gregg (FID); Valev, Iskren (FID); Chen, Gracie (FID); Frank.Gaertner@ikb.de; McCabe, Stephen

Subject: Update on the AAA rating for Senior Capital Notes

Dear All,

as promised, we checked again internally on the feasibility of assigning a AAA rating to the Senior Capital Notes for this vehicle and the outcome is that we are comfortable to allow that provided that assumptions/stresses and rating methodology as a whole used to rate these notes do not differ from the ones used to rate the AAA/A-1+ senior notes.

In other words, among other things, restricted funding must start when the market value of the assets, multiplied by the AAA capital matrices, is enough to cover the par value of all AAA rated liabilities (regardless if they are senior notes or senior capital).

Please let us know how you would like to proceed.

Best regards

Lapo

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TAB 22

From: Guadagnuolo, Lapo
Sent: Thursday, March 29, 2007 11:59 AM
To: Inglis, Perry; Van Acoleyen, Katrien
Subject: RE: ABCP / money market fund workshop

YES, they are high but that was one of the reason of creating a different curve for HEI. Also, please keep in mind that Rhinebridge is going to have 50% in HEL/RMBS with limit of 75%.

-----Original Message-----

From: Inglis, Perry
Sent: 29 March 2007 10:20
To: Guadagnuolo, Lapo; Van Acoleyen, Katrien
Subject: FW: ABCP / money market fund workshop



FYI. Cheyne is very high but they highlighted this to us when we met them and believe they are on top of it. In fact I seem to recall that they said it was a good time to be increasing their exposure to Home Eq.

Perry

-----Original Message-----

From: Wallis, Stephen
Sent: 29 March 2007 12:09
To: Quirk, Andrea
Cc: Inglis, Perry
Subject: RE: ABCP / money market fund workshop

Andrea,

Please find attached an outline of the current SIV holdings as at the start of March (except for Cheyne who have given me an update this morning based on recent trading).

Notable features are that 2 of the most recent SIVs to be rated by S&P have the biggest exposure - Cheyne was rated in August 2005, Kestrel in August 2006. 13 of the 23 SIVs have HEL exposure ranging from under 1% to 24% but the majority under 8%.

Most have some sort of a limit on HEL exposure, ranging from 5% to 35%, with most between 15% and 25%. Ratings of the assets range from A- to AAA, with most SIVs that are exposed to HELs only holding AAA rated paper.

Please let me know if you need any more information.

Thanks,

Stephen

-----Original Message-----

From: Quirk, Andrea
Sent: 28 March 2007 16:57
To: Wallis, Stephen
Subject: RE: ABCP / money market fund workshop

Stephen

Are you able to get any information from the reports that I assume the SIVs send to you each month? I know it might be a manual exercise but I know we will be asked for it.

Andrea

-----Original Message-----

From: Wallis, Stephen
Sent: 28 March 2007 16:50
To: Quirk, Andrea
Subject: RE: ABCP / money market fund workshop

Andrea,

Having had a proper look into this it seems that our data is not as good it probably should be, and I wouldn't really be in a position to give reliable information for the report unfortunately.

Sorry that I can't be of any help for this, it seems as if there are a few things surrounding the data that should have been identified earlier. Please feel free to give me a call if you want to discuss.

Regards,

Stephen

-----Original Message-----

From: Quirk, Andrea

Sent: 28 March 2007 14:52

To: Wallis, Stephen

Subject: FW: ABCP / money market fund workshop

Stephen,

Sorry to chase you but NY are close to publishing the RMBS sub prime article. Did you manage to retrieve the information for SIVs?

Rgds

Andrea

-----Original Message-----

From: Kaur, Manjeet

Sent: 27 March 2007 18:51

To: Quirk, Andrea

Subject: RE: ABCP / money market fund workshop

thank you. I appreciate it. I will cc you on the final draft of the report

regards,

Manjeet

-----Original Message-----

From: Quirk, Andrea

Sent: Tuesday, March 27, 2007 12:56 PM

To: Kaur, Manjeet

Subject: RE: ABCP / money market fund workshop

Ok - for Europe, couple of comments:

- 1) some sponsors do not specifically categorise as "sub prime" which makes it quite hard to quantify the numbers
- 2) The reports are as of February
- 3) there are 4 conduits with what we have categorised as US subprime exposure - we have assumed that all HEL exposure is subprime RMBS. The 4 conduits are: Ormond Quay, Atomium, Solitaire and Grampian. (i) Solitaire has around 4% exposure and it is all AAA rated. (ii) Grampian has less than 1% and again all AAA rated. (iii) Atomium has around 19%, of which New Century is 0.7%. I have a call into KBC (the sponsor) to find out if any change in strategy/portfolio (iv) Ormond Quay - around 19% and again all AAA rated.

Therefore, I think the message from Europe is that exposure would appear to be fairly limited and it is currently all AAA rated. I will find out about Atomium who specifically has New Century exposure.

On the SIVs, Stephen Wallis is looking into this - I think they have had some system errors with SIV Explorer plus they have a similar problem as ABCP conduits where US sub prime RMBS is not specifically split out in the reports. I have spoken with Stephen Wallis and told him to liaise with our conduit surveillance analyst.

Hope this helps.
Andrea

-----Original Message-----

From: Kaur, Manjeet
Sent: 27 March 2007 17:24
To: Quirk, Andrea
Subject: RE: ABCP / money market fund workshop
Importance: High

yes on the first question. No have not heard back from him - can you please track him down for me so we can add that perspective?

-----Original Message-----

From: Quirk, Andrea
Sent: Tuesday, March 27, 2007 12:22 PM
To: Kaur, Manjeet
Subject: RE: ABCP / money market fund workshop

I have the information on the European conduits. I dont have any comments on the article per se but do you want me to add a little on the European conduits? Did you get anything from Perry on the SIVS?

-----Original Message-----

From: Kaur, Manjeet
Sent: 27 March 2007 17:19
To: Quirk, Andrea
Subject: RE: ABCP / money market fund workshop
Importance: High

speaking is fine. Andrea - did you have any comments on the abcp subprime article?

-----Original Message-----

From: Quirk, Andrea
Sent: Tuesday, March 27, 2007 12:01 PM
To: Kaur, Manjeet
Subject: RE: ABCP / money market fund workshop

Great - if we can repeat the same thing in london, it will be perfect.

Also, I have put you down to speak at the ABS conference on Global ABCP trends - hope that is ok.
Speak soon.
Andrea

-----Original Message-----

From: Kaur, Manjeet
Sent: 27 March 2007 15:55
To: Quirk, Andrea
Subject: RE: ABCP / money market fund workshop

Andrea we have done training for small groups of investors and will be holding a training session on July 9th the day before our hot topics. I will send you the agenda seperately.
Regards
Manjeet

Sent by GoodLink (www.good.com)

-----Original Message-----

From: Quirk, Andrea
Sent: Tuesday, March 27, 2007 09:24 AM Eastern Standard Time
To: Kaur, Manjeet
Subject: ABCP / money market fund workshop

Manjeet,

We are going to try and do a separate investors workshop on Tuesday May 15th and do this with the European funds group.

Have you done something similar in NY? If so, I was thinking to simply replicate the agenda.

Regards

Andrea

Andrea Quirk
Director
Structured Finance Ratings
Standard & Poor's
20 Canada Square
London
E14 5LH

Tel: 020 7176 3736

Fax: 020 7176 3598

E-mail: andrea_quirk@standardandpoors.com

TAB 23

From: Rajiyah, Anushka (FID) [Anushka.Rajiyah@morganstanley.com]
Sent: Friday, September 01, 2006 5:34 AM
To: Rajiyah, Anushka (FID); Guadagnuolo, Lapo; Inglis, Perry
Cc: Drennan, Gregg (FID); Söhlke, Thomas, Dr.; Rohde, Christian
Subject: RE: IKB Presentation for RA call

Attachments: Agency Termsheet Draft CLEAN S+P (15 AUG).doc; Presentation RA - Final.pdf

Dear All,

Please find attached IKBs updated presentation for next weeks conference call. We have made some minor changes.

During the call we envisage the following to be discussed as:

1. IKB to provide a brief update on organization
2. Overview of the establishment of a new separate asset management subsidiary which will serve as SIV asset manager and more detailed overview of the key personnel to be involved in the SIV management
3. Update on SIV establishment process i.e. progress with QSR, simulation model etc.
4. Rating agencies to provide feedback on the Termsheet. Specifically regarding target portfolio and target portfolio parameters. Finalization of portfolio parameters is crucial in order for IKB to shortly begin the asset ramp-up process

We should arrange a call prior to the conference calls to discuss further. Please let me know your availability.

Further in there termsheet we would like to alter the following portfolio parameters:

Page 41

Global RMBS: 75% max eligible limit (changed from 55%)

70% max operational limited (changed from 45%)

I have attached the revised version incorporating this change

Thanks

Anushka Rajiyah

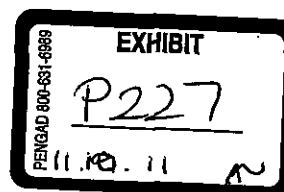
Morgan Stanley | Fixed Income
20 Cabot Square | Canary Wharf | Floor 02
London, E14 4QW

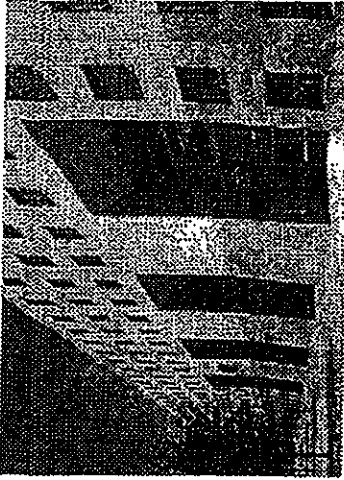
Phone: +44 20 7677-3061

Mobile: +44 77299-77005

Fax: +44 20 7677-3454

Anushka.Rajiyah@morganstanley.com





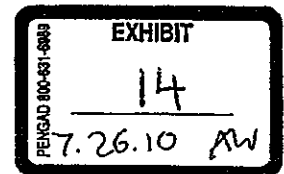
Presentation to Rating Agencies

SIV „Rhinebridge“

September 2006

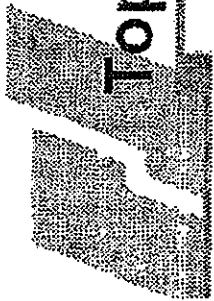


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Topics

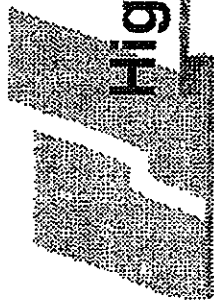
2

1. Bank highlights and Securitisation Division
 2. Establishment of Credit Asset Management GmbH
 3. SIV Rhinebridge Update
- Appendix A – IT Overview



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Highlights

3



- Specialist in managing credit risk including long-term corporate finance
- Market leader in long-term corporate lending in Germany (market share: 13 %)
- Focused business structure in four divisions
- 1,740 employees, 6 domestic branches, 6 international branches/subsidiaries*
- Loan volume: € 37.8 billion; balance sheet total: € 47.0 billion (30 June 2006)
- Cost-income ratio in FY 2005/06: 38.2 %
- Operating profit in FY 2005/06 improved by 16.0 % to € 233 million
- RoE before taxes in 2005/06: 18.8 % (2004/05: 16.4 %)
- Ratings:
 - Fitch A+/F1 (stable outlook)
 - Moody's Aa3/P-1 (stable outlook)

* 30 June 2006

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Competitive edge

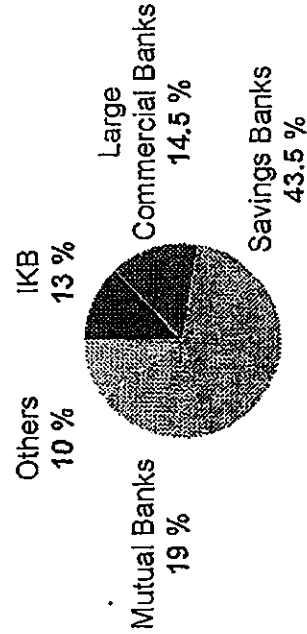
Significant
expertise

Excellent
funding

Strong market
position

- Significant expertise in all fields of corporate finance, incl.
 - rating advisory and
 - industry research
- With a stable strategy and an excellent rating IKB enjoys an outstanding funding base
- Strong and stable customer relations based on relationship banking over decades
- Market leader in long-term lending to the industrial sector (Mittelstand)
- Excellent position in international lending

Long-term loans to the industrial sector*



* Source: Deutsche Bundesbank, March 2006; Total volume: € 74.5 billion

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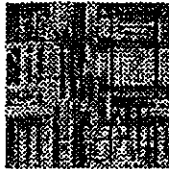
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Division structure



Corporate Clients

- Domestic long-term loans
- Public development programmes
- ABS
- Equipment leasing
- Private Equity



Real Estate Clients

- Real estate financing
- Real estate leasing
- Construction management
- Fund structures



Structured Finance

- Acquisition financing
- Export financing
- Project financing



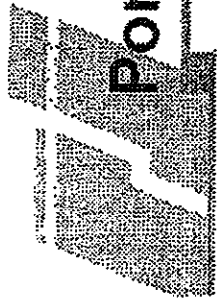
Securitisation

- Securitisation of credit risks
- Investments in international loan portfolios
- Management of investments in a conduit

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Portfolio management approach



- Securitisation of loan risks in seven CLO transactions so far with a total volume of more than € 14 billion (current level: € 5.4 billion)
- Investments in international loan portfolios*:
 - € 6.8 billion of direct investments
 - € 9.7 billion of assets under management via Conduit
- Objectives:
 - Release capital
 - Diversification of loan risks by regions, sectors and rating-categories
 - Improvement of profitability
 - Leverage of credit expertise (since 1999)

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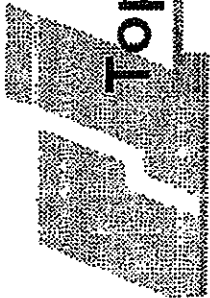
IKB „securitisation universe“

Corporates	Structured Finance	Real Estate	Private Equity
PROMISE-I 2000-1 Start-Vol. EUR 2.500 m + Repl. EUR 3.700 m	US \$ CLO US \$ 584 m	IFCMBS EUR 1.000 m [planned]	FORCE 2005-1 EUR 370 m
PROMISE-I 2002-1 Start-Vol. EUR 3.650 m + Repl. EUR 6.000 m	SEAS 2005-1 Start-Vol. EUR 650 m + Repl. EUR 1.170 m		FORCE 2006-1 EUR 870 m [planned]
PROMISE-I Mob. 2005-1 Start-Vol. EUR 750 m + Repl. EUR 950 m	Bacchus 2006-1 EUR 400 m		
PROMISE-I Mob. 2005-2 Start-Vol. EUR 1.500 m + Repl. EUR 2.000 m	Bacchus 2006-2 EUR 410 m [execution]		
PROMISE-I Mob. 2007-1 EUR 1.000 m [planned]	„Bacchus III (US)“ EUR 400 m [execution]		
„Mobility Top 100“ EUR 1.000 m [planned]	„Bacchus IV“ EUR 400 m [planned]		
			[planned]
			Synthetic CLO
			Cash CLO

* Clean-up call/Notes-redemption in 2005

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Topics

83

1. Bank highlights and Securitisation Division
2. Establishment of Credit Asset Management GmbH
3. SIV Rhinebridge

Appendix A – IT Overview

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Formation of IKB Credit Asset Management („CAM“) GmbH as of 01.09.2006

Consulting firm

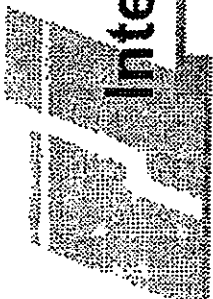
Clear positioning
in the market

➤ Objectives

- 3rd party asset management
 - Conduit RFCC – management transferred to CAM (as of 01.01.2007)
 - SIV
 - Direct Investments portfolio
- CAM as an Investment Advisor and Manager for their customers including SIVs
- Differentiated investment approval process to enhance efficiency of the decision-making process
- Creation of a brand name
- More attractive terms for employees

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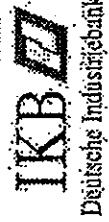
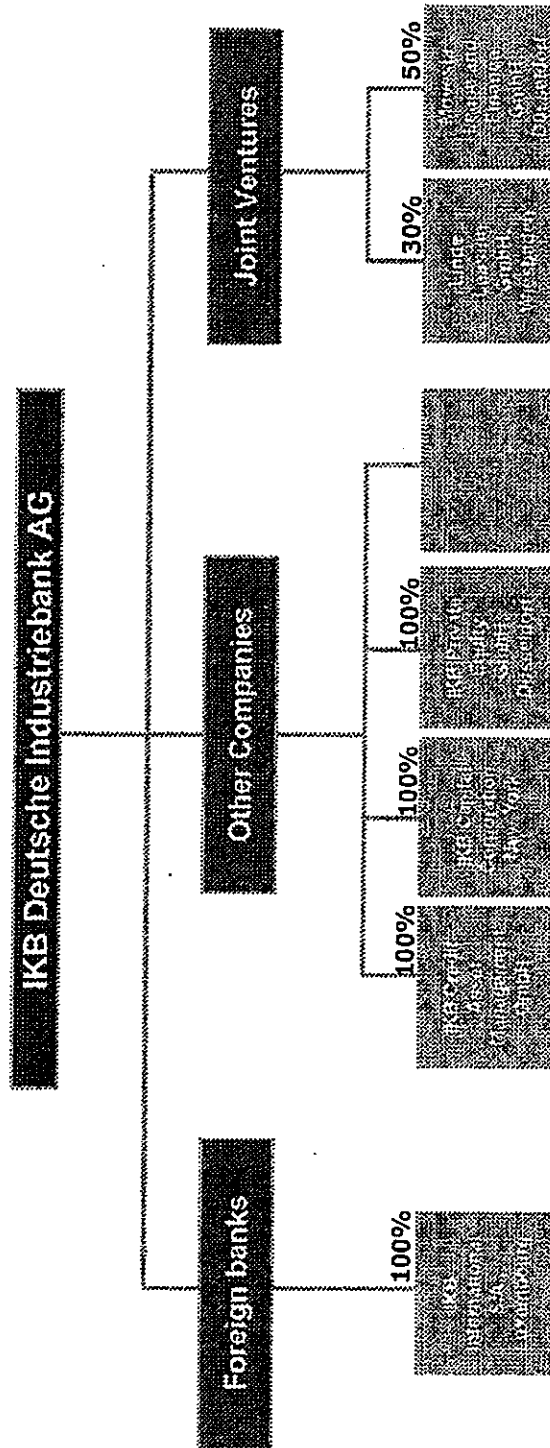
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Integration of CAM in the IKB group

10

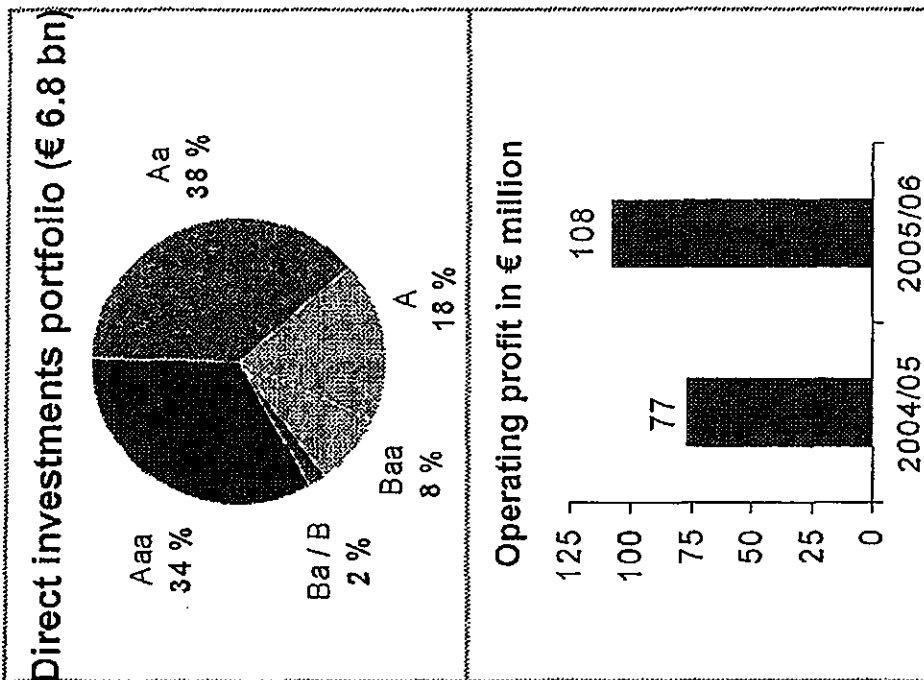
Shareholding Structure



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IKB CAM managed assets

14



- Portfolio management and securitisation of credit risks:
 - Diversification of loan risks by regions, sectors and rating categories
 - Increased profitability
- Additional € 9.7 billion of assets under management via Conduit
- New business of € 2.1 billion
- Margin in new business 100 bp
- Operating profit up 39 % to € 108 million

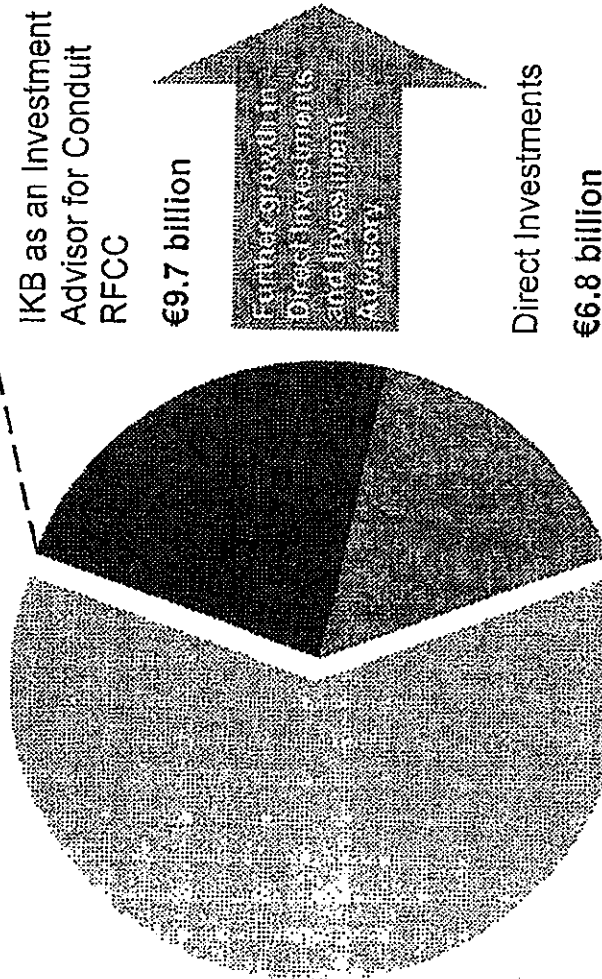
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IKB CAM managed assets

Expected growth

- €47.2 billion Assets under Management as of 31 March 2006
- IKB CAM is responsible for the management of the Conduit RFCC and the Direct Investments portfolios'



AuM „other Segments“

€30.7 billion

AuM „Segment Securitisation“

€16.5 billion

* CAGR for the next 3 years

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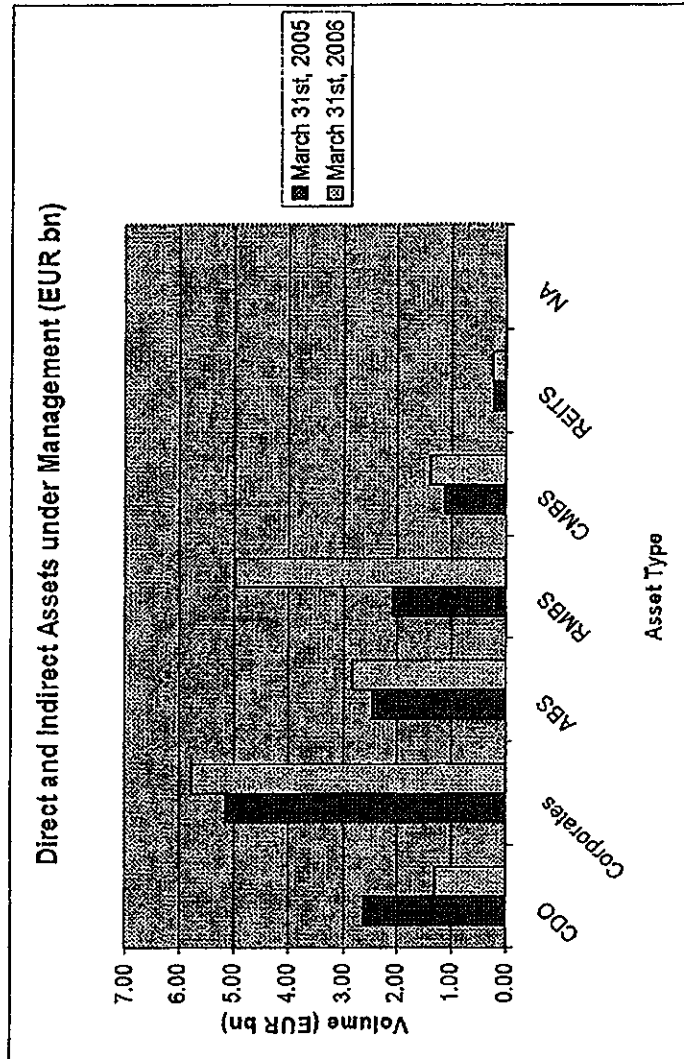
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IKB CAM managed assets

Segment distribution

13

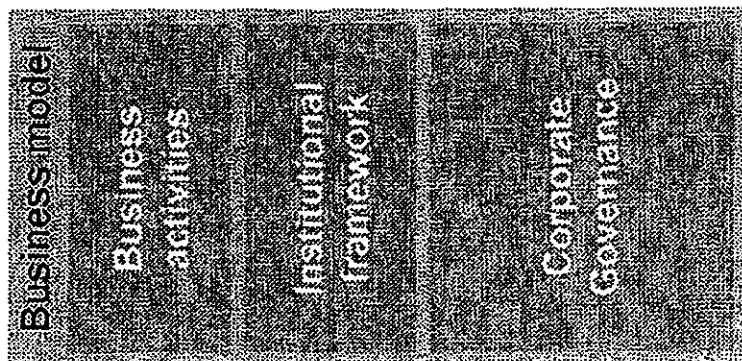
- Significant growth in securitised products under management from 13.6 EUR (bn) in Q1 2005 to 16.5 EUR (bn) in Q1 2006
- Assets include direct and indirect investments (look through investments via CDOs)



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CAM business model overview



- Investment Advisory and Investment Management
- Surveillance and (partial externally procured¹⁾) Administration
- Arranger for future IKB CDOs
- CAM GmbH is a wholly owned subsidiary of IKB with share capital² of € 5 million (profit and loss transfer agreement)
- Utilising operations in London and New York
- Executive Board: Chief Investment Officer Winfried Reinke
- Advisory Board: Board of Managing Directors IKB: Dr. Volker Doberanzke, Dr. Markus Guthoff, Stefan Ortseifen (Chairman) Treasury & Financial Markets: Michael Braun, Bernd Clausen Risk Management: Claus-Dieter Wagner
- Per client "Investment Board" (e.g. IKB: divisional manager Treasury, Risk Management)

- 1 In corporation with selected partners: QSR/SocGen
- 2 To fulfil the regulatory requirements for the planning period the IKB CAM receives an additional capital reserve of €3 million.

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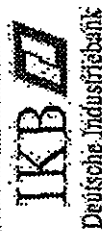
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CAM: Department Responsibilities

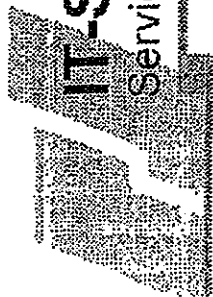
15

CIO (+ 1 secretary)			
Research (3 staff members)		Legal (3 staff members)	
<ul style="list-style-type: none"> • Fundamental research • Development/maintenance of research models • Data collection and analysis 		<ul style="list-style-type: none"> • Preliminary legal evaluation of transactions • Negotiations with customers • Legal "in-depth" analysis of transactions 	
Investment (7 staff members)		Operations/Surveillance (8 staff members)	
<ul style="list-style-type: none"> • Communication to the market • Sourcing of transactions to invest in • Preliminary evaluation of transactions 		<ul style="list-style-type: none"> • Risk/revenue/cost controlling • Portfolio surveillance • Organisation operations IT 	
Credit Analysis (8 staff members)		London Branch ¹ (9 staff members)	
<ul style="list-style-type: none"> • "In-depth" analysis of new transactions • Portfolio maintenance • Supervision of individual risk 		<ul style="list-style-type: none"> • Research and Investment • Credit analysis • Administration and Reporting • Legal analysis 	

¹ The London branch is an addition to the current departments. London employees will be sub-assigned to the relevant departments



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IT-Support by IKB AG

Services provided

18

- Ongoing IT support to be provided by IKB
- Services offered include:
 - Development or integration of asset manager IT solutions
 - Development & maintenance of central market data interfaces and client applications
 - Strategic and operative support for „plan, build and run“ of the CAM and the SIV IT
 - Requirement analysis & management
 - Project management & work
 - System & service management



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IT-Support by IKB AG

Support team

17

Dedicated IT/Org-Team „AMS“ (Asset manager and Market data Systems)

IT Analysis and architecture (2 staff)

- Requirement analysis
- Incident & change management
- Test management and documentation

Front-end development (2 staff)

- SAMS Workplace
- SIM simulation model
- Business intelligence
- (future interfaces)

Backend development (5 staff)

- SAMS and other Databases
- Data feed integration
- Business logic implementation
- Reporting engines



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SIV Rhinebridge – Allocated CAM-Staff (1/4)

18

CIO	
Reinke Winfried	<ul style="list-style-type: none"> • International credit experience since 1979 • CIO of IKB Credit Asset Management GmbH, since July 2006 • Head of Treasury and Financial Markets of IKB Deutsche Industriebank AG, Düsseldorf, since April 1996 • Managing Director of IKB's Luxembourg subsidiary and Head of its Luxembourg Branch (1991 – 1996)
Research	
Bauknecht Claus D.	<ul style="list-style-type: none"> • 15 years experience in modelling / measurement (government, central and investment banks) • 3-5 years experience in asset selection (RMBS, HEL, US-CDOs) • 3 years experience in CMBS-modelling
Research Hire – London	<ul style="list-style-type: none"> • skills profile: See above
Legal/ Structuring	
Pinkus Michael	<ul style="list-style-type: none"> • 4 years of experience in origination and structuring ABS Transactions with a focus on legal aspects • 2 years of experience in true-sales and synthetic securitisation as well as structured finance transactions

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SIV Rhinebridge – Allocated CAM-Staff (2/4)

19

Investment	
Senior Portfolio Manager Hire London (1st October)	<ul style="list-style-type: none"> • 5-7 years of portfolio management experience with a focus on ABS Trading and Management • In-depth knowledge of the US and European ABS Market • Proven track record in fields of the following asset classes: CMBS, RMBS, HELs and HELOCs
Kubis Uta	<ul style="list-style-type: none"> • 4 years experience in risk management and risk analysis of structured finance assets (e.g. EDO, ABS) • 2 years experience in selection, assessment and analysis of Portfolio Investments • 1-2 years experience in credit analysis in corporate finance
4 Senior/Junior Portfolio Manager (Hires) – London	<ul style="list-style-type: none"> • average 5 years of portfolio management experience • Proven track record in SIV/Rhinebridge asset classes

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SIV Rhinebridge – Allocated CAM-Staff (3/4)

20

Operations/Surveillance	
Siede Heiko	<ul style="list-style-type: none"> • 10 years experience in reporting and surveillance of asset portfolios (for large Institutional investors) as well as related income controlling and projections
Rohde Christian	<ul style="list-style-type: none"> • 4 years experience in Securitisation Administration and Reporting/Surveillance
Credit Analysis	
Rabelt Holger	<ul style="list-style-type: none"> • 4 years of experience in corporate finance with a focus on international credit transactions • 8 years of experience in risk analysis with a focus on asset selection • Head of the „Credit Research & Portfolio investment“ – Department, since April 2004
3 Credit Analysts (Hires) – London	<ul style="list-style-type: none"> • average 3-5 years of experience in „in-depth“ credit analysis



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SIV Rhinebridge – Allocated CAM-Staff (4/4)

21

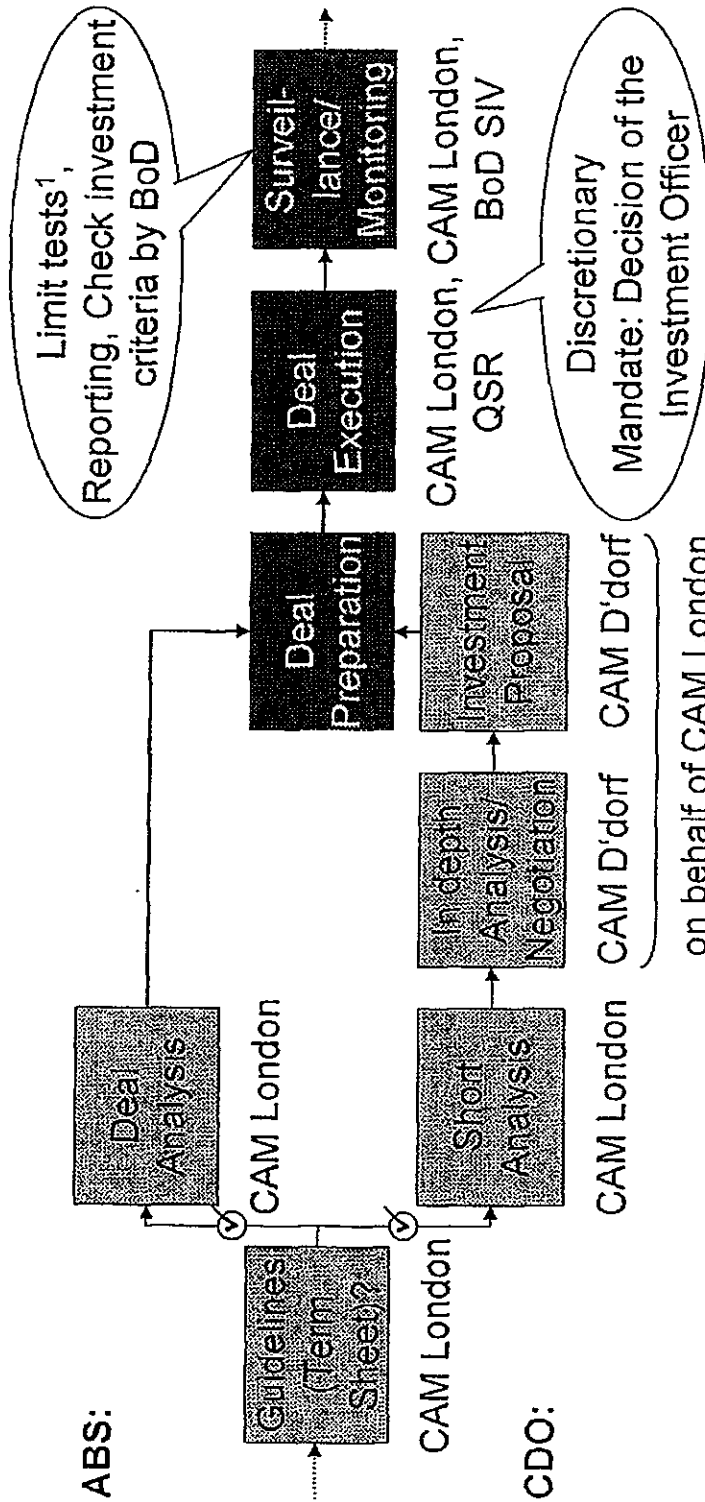
IT (AMS)	
Maletzki Odo	<ul style="list-style-type: none"> • 15 years experience in business development, IT project management, IT system architecture, system and service management, software development and system integration (banks and insurances) • 4 years experience in asset manager solutions, market data feeds (Pricing, rating, static data), analytics and pricing IT (CDO and ABS)

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SIV – Process: London vs Düsseldorf

22



1 Mark-to-market

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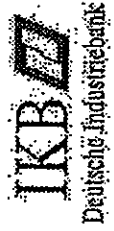




1. Bank highlights and Securitisation Division
2. Establishment of Credit Asset Management GmbH
3. SIV Rhinebridge

Appendix A – IT Overview

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The planned SIV, „Rhinebridge“, will be managed by CAM

24

- CAM will be responsible for the Investment Advisory for the SIV „Rhinebridge“
- SIV-set up is carried out with experienced partners
 - Morgan Stanley as a structuring and placement a
 - QSR (subsidiary of the Bank of New York) as administrator
- Investments consist of high grade, variable or fixed-interest securities such as ABS, CDOs, CMBS or RMBS, which are traded on the OTC-market
- Based on Morgan Stanley SIV structure
 - Senior Capital Notes to be launched at closing
 - Co-Issuance Structure to be utilised



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Update of SIV process (1/2)

- Successful incorporation of IKB CAM GmbH
- Portfolio ramp-up
 - Asset ramp-up to commence in October once lead portfolio manager is appointed
 - Rating agency feedback on investment criteria crucial prior to commencing asset ramp-up
 - Assets to be held on IKB balance sheet and transferred to SIV Rhinebridge at closing
- Building of simulation model
 - Prototype model developed by IKB based on Morgan Stanley model framework
 - Finalising model and installing on IKB system
- Ongoing integration of SAMS (CAM IT infrastructure) with QSR systems
 - SIV „Rhinebridge“ will be set up using „EnSIS“, QSR's SIV administration platform
 - Creation of test portfolio to simulate „live“
 - Interface files have been specified to load all relevant data from EnSIS to SAMS, the IKB CAM standard reporting and surveillance application
 - Process interface testing to commence in October

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Update of SIV process (2/2)

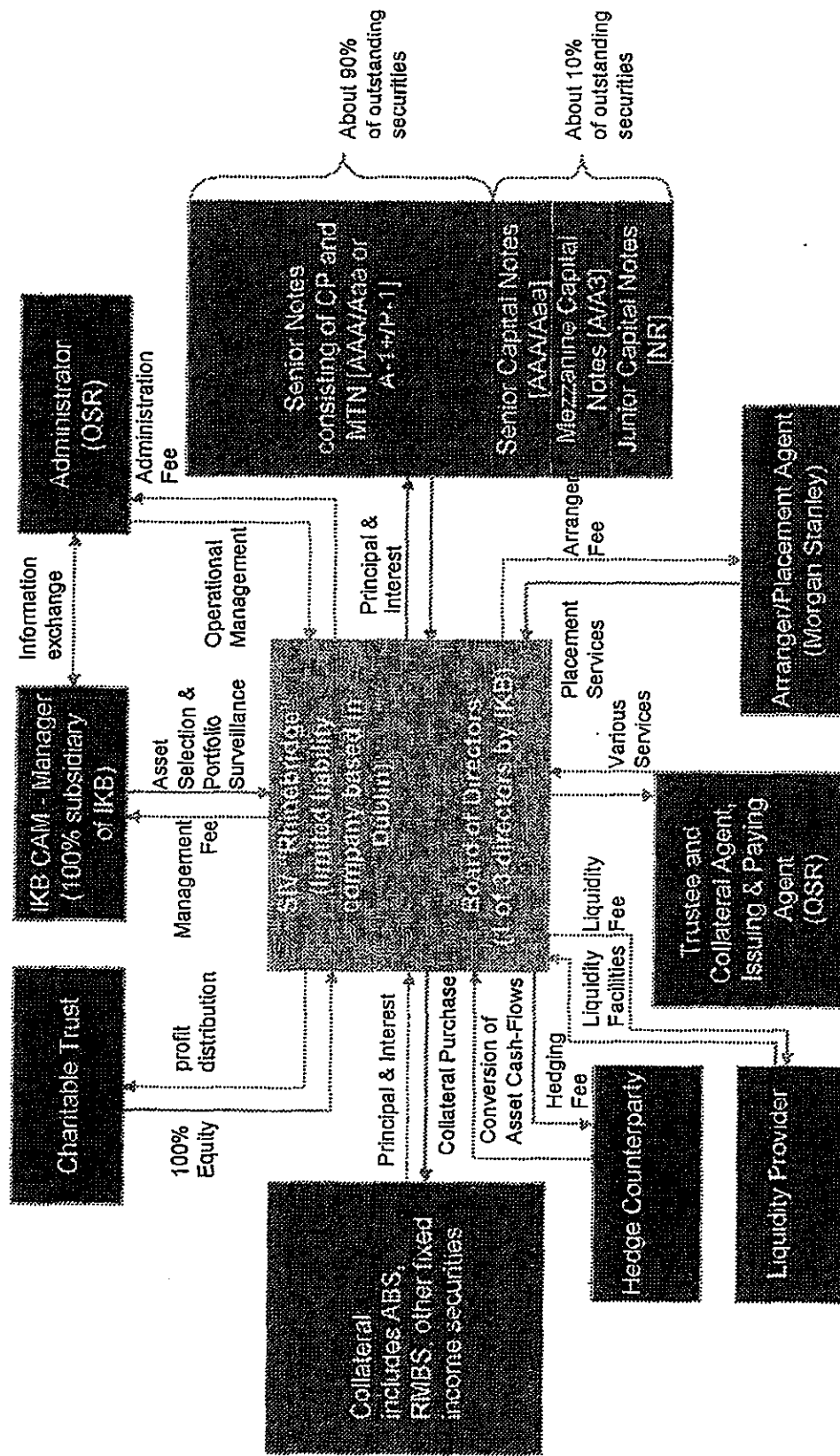
- Operating Manual and QSRs Systems
 - Termsheet draft provided to rating agencies
 - Ongoing work with QSR to identify and process required system changes
 - IKB section to be completed now that CAM set up and integration is complete
- Appointment of lawyers finalised
 - Mayer Brown have been appointed as lead drafting counsel
 - SIV documentation process commencing
- Key Planned Milestone Dates
 - Capital Notes Marketing: November
 - Pricing: February
 - Closing: March

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SIV „Rhinebridge“ transaction structure

27



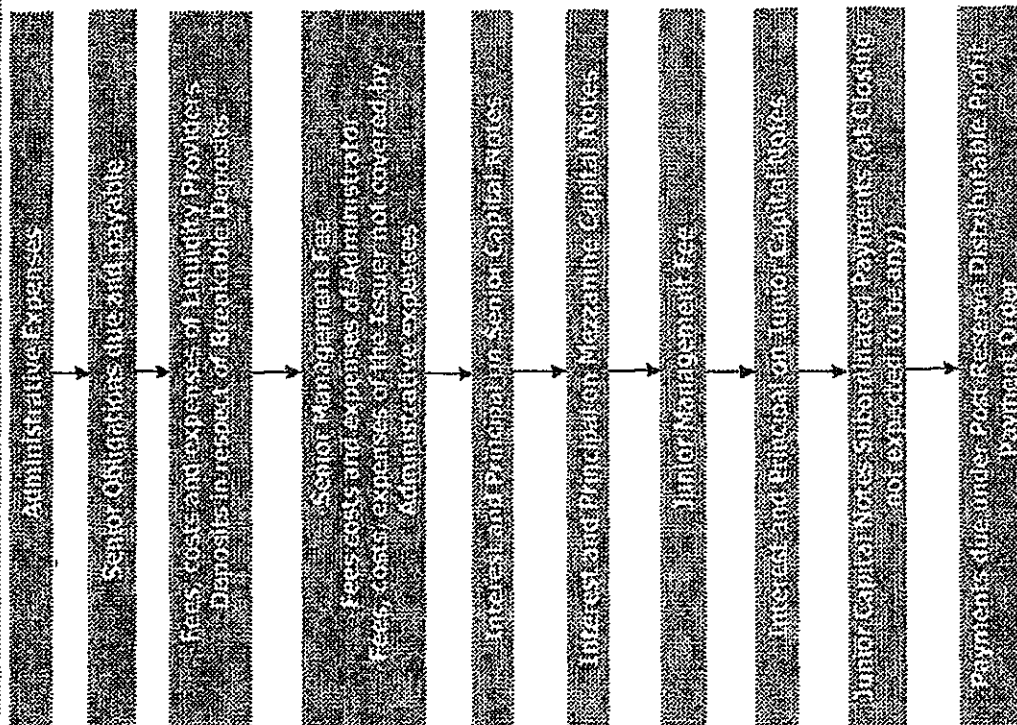
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Waterfall overview

28



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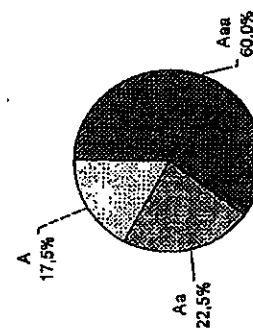
Portfolio composition

- A potential portfolio could have the following characteristics (current working case):
 ~ WAL: 4.45 years, WARF: 26.1 (Aa2/Aa3)

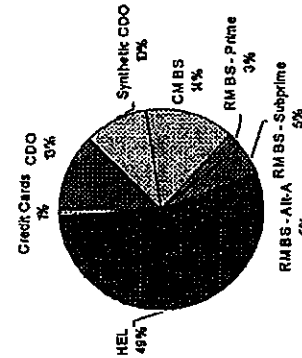
Portfolio Composition

Category	AAA	Aa	A	Total
Cashflow CDO	7.50%	2.50%	2.50%	12.50%
Synthetic CDO	10.00%			10.00%
CMBS	6.50%	3.75%	3.75%	14.00%
RMBS - Prime	2.50%			2.50%
RMBS Sub-Prime	2.50%	1.25%	1.25%	5.00%
RMBS - Alt-A	5.00%			5.00%
HEL	25.00%	15.00%	10.00%	50.00%
Student Loans	1.00%			1.00%
Total	60.00%	22.50%	17.50%	100.00%

Rating Breakdown
% of the Total Portfolio



Collateral Breakdown
% of the Total Portfolio



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Investment criteria – sector concentration

30

Sector Category	Max Eligible Limit	Max Operational Limit
Global CDOs	40.00%	35.00%
CLOs	40.00%	35.00%
Structured Finance CDOs	25.00%	20.00%
HY CBOs	20.00%	17.50%
Emerging Market CDOs	5.00%	4.00%
Single Tranche Synthetic CDOs	15.00%	12.50%
Synthetic CDOs (excluding Single Tranche)	15.00%	12.50%
Trust Preferred CDOs	5.00%	4.00%
Balance Sheet CDOs	25.00%	22.50%
SME CDOs	25.00%	22.50%
CRE CDOs	5.00%	4.00%
Other	8.00%	6.00%
GMBS	50.00%	40.00%
Single Property	20.00%	17.50%
Conduit	35.00%	30.00%
Large Loan	40.00%	35.00%
Credit Tenant Lease	10.00%	8.00%
Other	8.00%	6.00%
Consumer ABS	60.00%	50.00%
Non-Salle Mae Student Loans	40.00%	35.00%
Salle Mae Student Loans	40.00%	35.00%
Student Loans combined	40.00%	35.00%
Credit Cards	30.00%	25.00%
Charged off Cards (i.e. non performing)	5.00%	4.00%
Auto Loans	30.00%	25.00%
Auto Sub-Prime	5.00%	4.00%
Consumer Loans	30.00%	25.00%
Other	5.00%	4.00%
Global RMBS	75.00%	70.00%
Prime RMBS	50.00%	40.00%
Home Equity Loans	70.00%	65.00%
HELOC	20.00%	17.50%
Non-Prime RMBS	40.00%	35.00%
Manufactured Housing	5.00%	4.00%
Other	8.00%	6.00%
Corporate ABS	50.00%	40.00%
Trade Receivables	10.00%	8.00%
Lease Backed	10.00%	8.00%
Aircraft Loans/Leases	10.00%	8.00%
Whole Business	10.00%	8.00%
Other	8.00%	6.00%
Monoline wrapped Global RMBS	30.00%	25.00%
Other	5.00%	4.00%

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Investment criteria – country concentration

31

Country	Max Eligible Limit	Max Operational Limit
<u>USA</u>	100.00%	100.00%
<u>European</u>	100.00%	100.00%
UK	60.00%	60.00%
France	50.00%	50.00%
Germany	50.00%	50.00%
Italy	50.00%	50.00%
Netherlands	50.00%	50.00%
Spain	50.00%	50.00%
Austria	25.00%	25.00%
Belgium	25.00%	25.00%
Denmark	25.00%	25.00%
Finland	25.00%	25.00%
Ireland	25.00%	25.00%
Luxembourg	25.00%	25.00%
Norway	25.00%	25.00%
Portugal	25.00%	25.00%
Sweden	25.00%	25.00%
Switzerland	25.00%	25.00%
Greece	10.00%	10.00%
Non-Defined Pan-European (only listed Countries)	25.00%	25.00%
<u>Euro Cash</u>	25.00%	25.00%
<u>Rest of World</u>	25.00%	25.00%
Australia	25.00%	25.00%
Canada	25.00%	25.00%
Japan	25.00%	25.00%
New Zealand	10.00%	10.00%
Singapore	10.00%	10.00%
Hong Kong	10.00%	10.00%
Korea	10.00%	10.00%
Non-Defined Rest of World (only listed Countries)	25.00%	25.00%



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Investment criteria – single obligor

22

Single Obligor at Point of Purchase

	Maximum Exposure (Normal Obligor)	Maximum Exposure (Exceptional Obligor)
Overall	4.00%	8.00%
AAA	4.00%	8.00%
AA	2.00%	4.00%
A	0.50%	1.00%

Single Obligor Concentration

	Normal Obligor		Exceptional Obligor	
	Max Eligible Limit	Max Operational Limit	Max Eligible Limit	Max Operational Limit
Overall	4.00%	4.00%	8.00%	8.00%
AAA	4.00%	4.00%	8.00%	8.00%
AA	4.00%	4.00%	8.00%	8.00%
A	4.00%	2.00%	8.00%	4.00%
BBB	2.00%	2.00%	4.00%	1.00%
BB	0.50%	0.00%	1.00%	0.00%

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Investment criteria -- other constraints

23

Currency Eligible Limit Operational Limit

USD (Minimum)	75.00%	75.00%
EUR (Maximum)	25.00%	25.00%
GBP (Maximum)	25.00%	25.00%
Other (Maximum)	25.00%	15.00%

Rating Min Eligible Limit Min Operational Limit

AAA	40.00%	50.00%
AA to AAA	60.00%	75.00%
A to AAA	80.00%	90.00%
BBB to AAA	85.00%	95.00%
BB to AAA	90.00%	100.00%

Other Tests

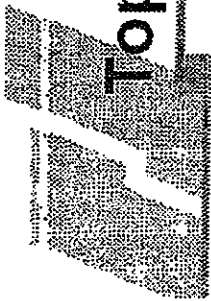
	Maximum
% of Investments with	
- Expected Final Maturity greater than 15 years	5.00%
- Legal Final Maturity greater than 35 years	5.00%
- WAL greater than 12 years	5.00%
% of Investments not publicly or shadow rated	
- by Moody's	20.00%
- by S&P	20.00%
% of synthetic Investments	25.00%
% of non AAA rated CDO-Investments	15.00%
% Fixed Rate Securities	40.00%

Servicer Max Eligible Limit Max Operational Limit

Servicer Exposure	25.00%	20.00%
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Topics

34

1. Bank highlights and Securitisation Division
2. Establishment of Credit Asset Management GmbH
3. SIV Rhinebridge

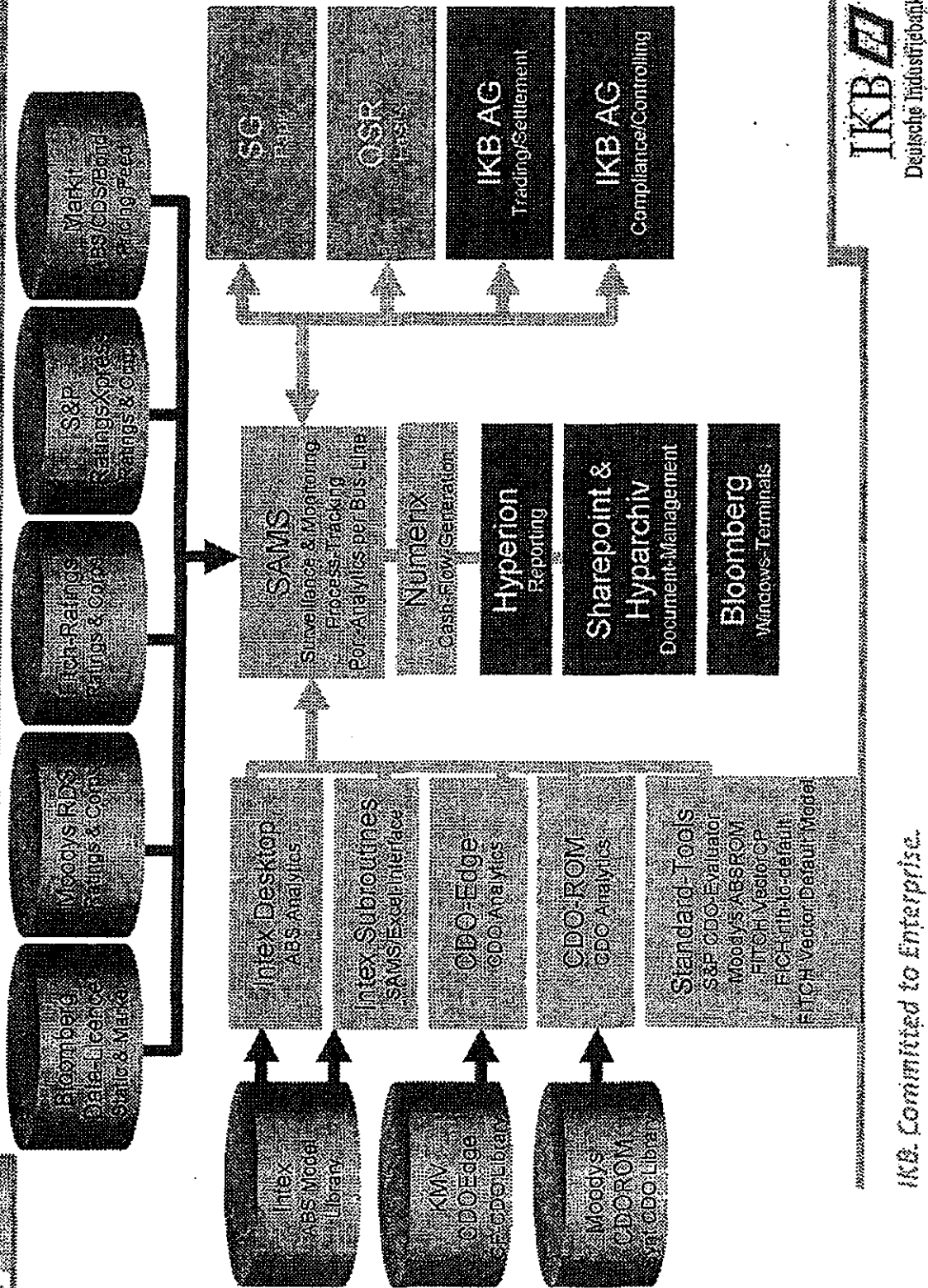
Appendix A – IT Overview

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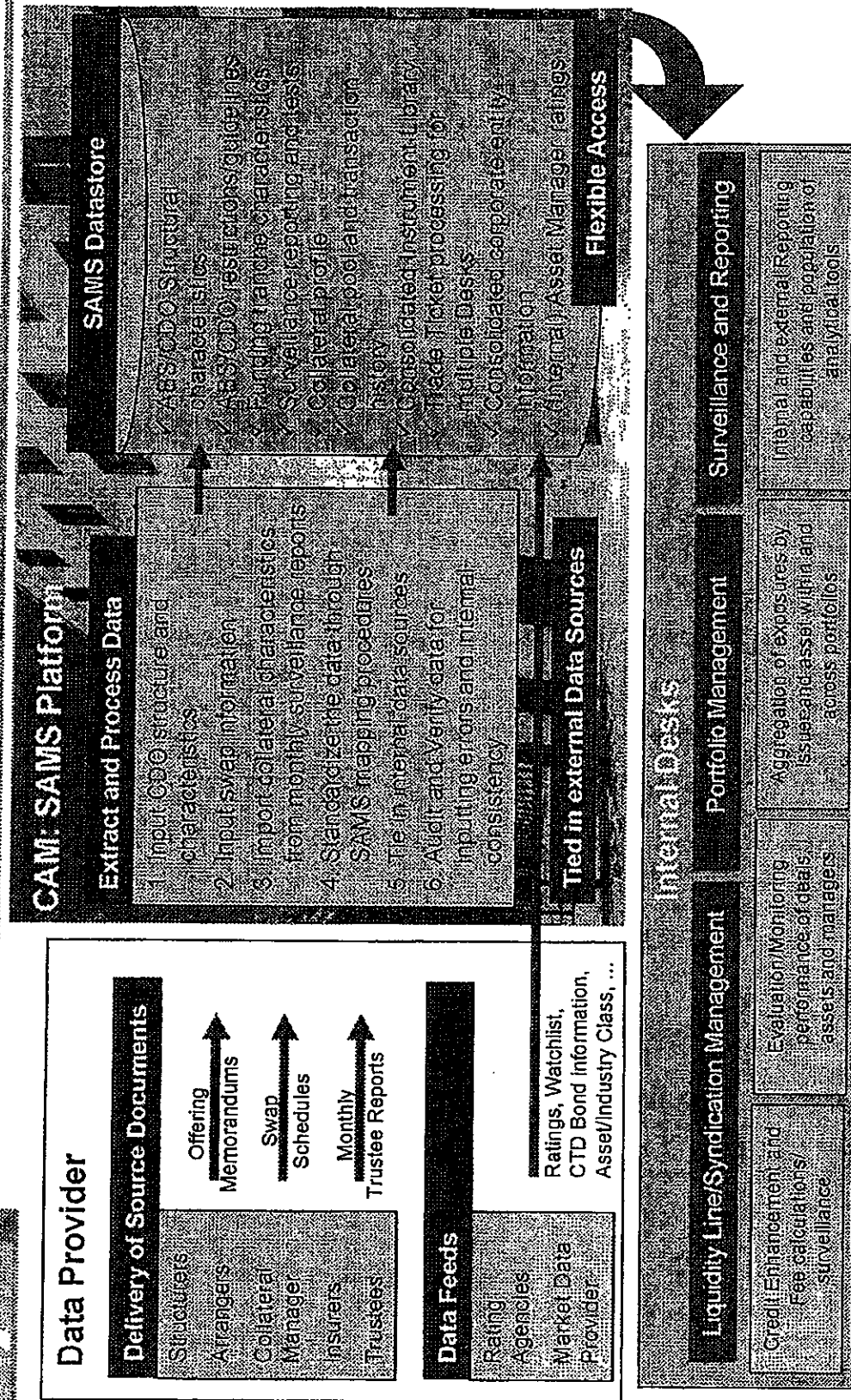
Target IT architecture IKB CAM

35



The SAMS Platform – Central component of the CAM IT infrastructure

36



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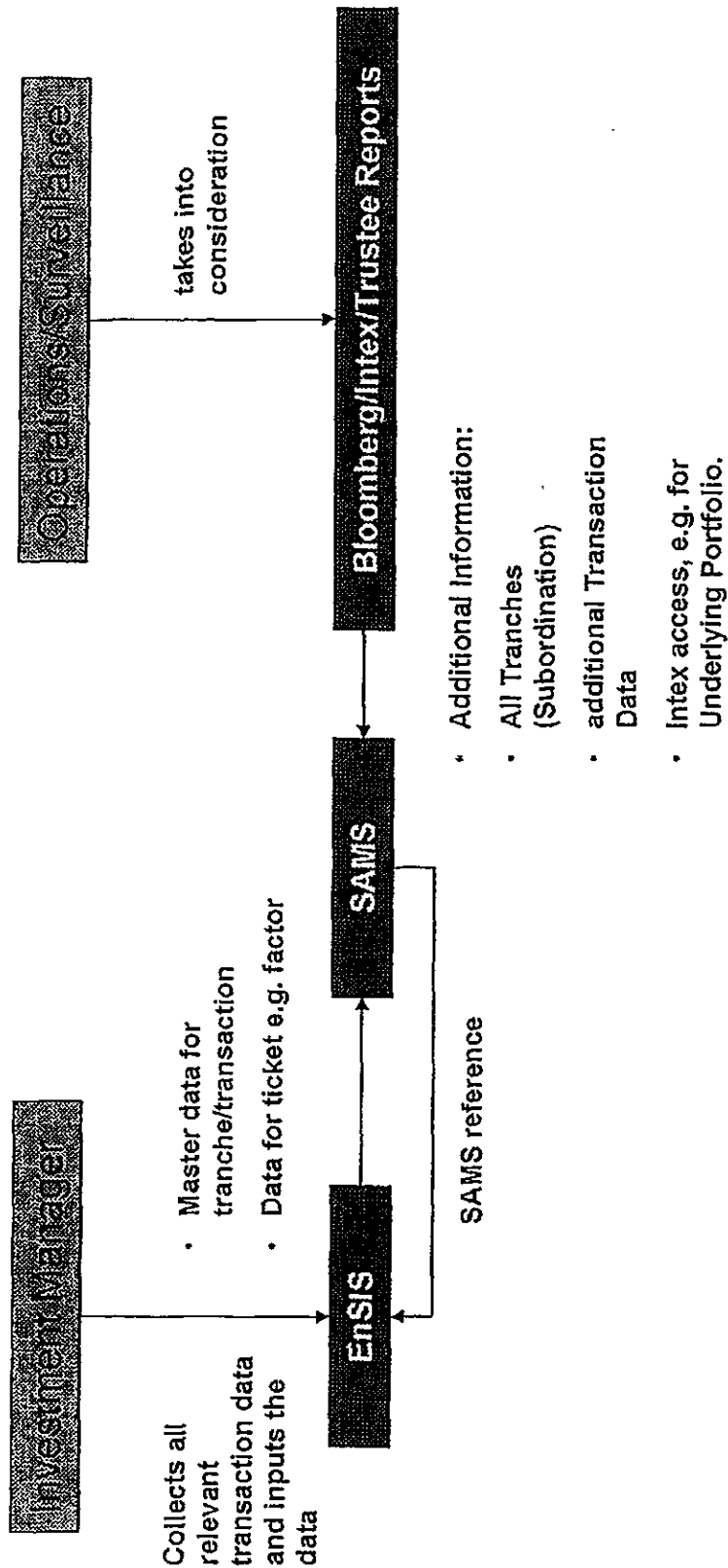
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Interface EnSIS – SAMS (1/2)

27

EnSIS - SAMS Data flow: Ticket Creation (Buy /Sell)



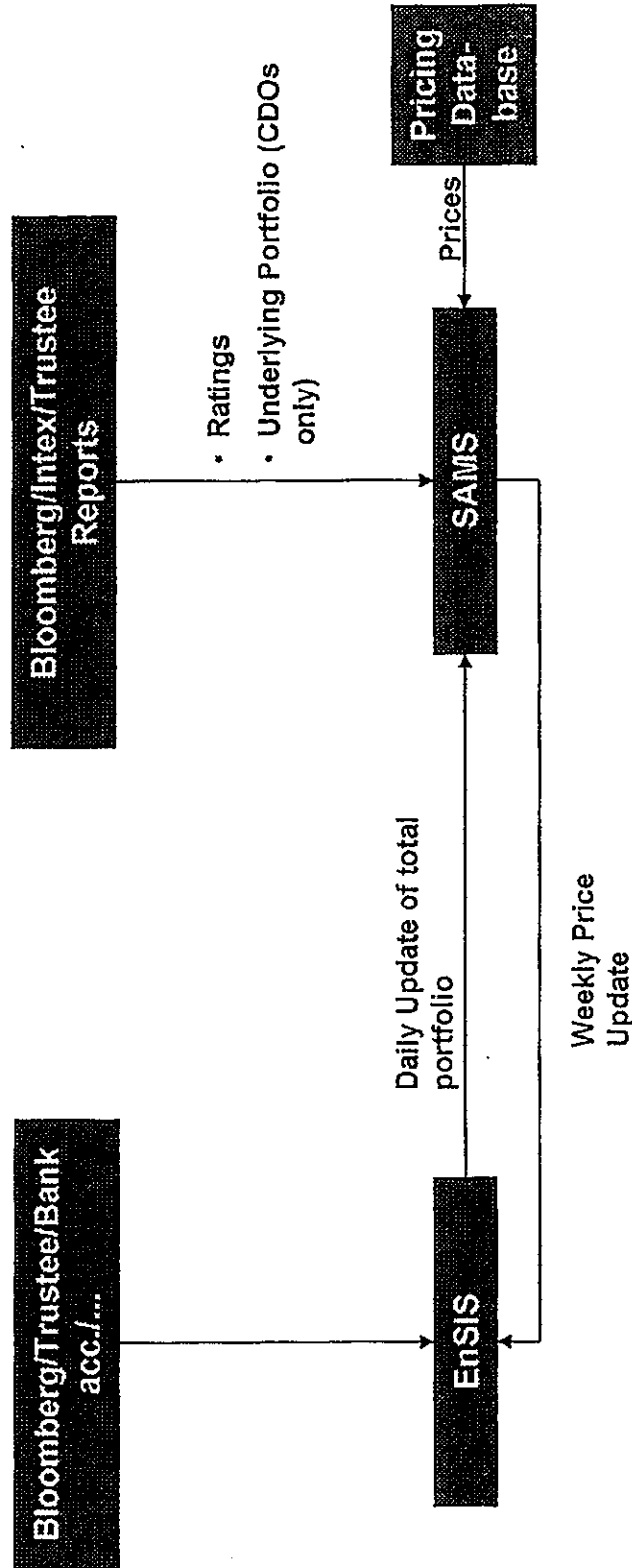
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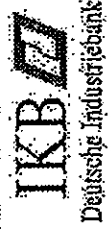
Interface EnSIS - SAMS (2/2)

38

EnSIS - SAMS Data flow: Ongoing Data Maintenance



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TAB 24

From: Katugampola, Navindu (FID) [Navindu.Katugampola@morganstanley.com]
Sent: Wednesday, November 22, 2006 8:29 PM
To: Guadagnuolo, Lapo
Cc: Drennan, Gregg (FID)
Subject: IKB SIV Rhinebridge Termsheet & Timetable

Attachments: Agency Termsheet Draft 20 Nov 2006 S&P.doc
 Lapo,

Hope all is well with you. It's been a little while since we discussed the IKB SIV Rhinebridge, and things have started to pick up pace now.

IKB have now added a Senior Portfolio Manager to the team, Neil Ryan, who is driving the process forward. The current plan is to launch the marketing for the deal in January, and price and close in March. This is a fairly aggressive timetable, but we believe that it is achievable.

As part of picking up the process with S&P, therefore, there are a number of workstreams that we envisage running over the coming weeks.

1. New proposal on interpreting capital simulation model outputs
2. Review of deal docs
3. Finalise the termsheet

Taking these in order:

1. We are putting together some thoughts on an alternative method of interpreting the capital simulation model outputs. We will aim to produce something over the next few days and send this to you for your consideration.
2. We are pressing ahead on the docs side, using the Cheyne SIV docs as guidelines for drafting. We hope to be able to circulate the principal docs (notably the Offering Circular) to you early next week.
3. Finalising the termsheet by the end of next week is one of our primary objectives. As I mentioned above, Neil Ryan has recently joined IKB to head up the SIV team, and he is keen to meet with yourselves towards the end of next week. It would be good to have the termsheet in a quasi-final stage by then, so all that remains is to tie up any loose ends.

To that end, please find attached the latest iteration of the termsheet, with comments from ourselves and IKB. In addition, we would like to discuss the following outstanding points with you:

- Dutch RMBS assets as LEAs. I understand that this has been proposed before. What further input would you need from us in order to revisit?
- HELs as LEAs. I think we are waiting to hear back from you on this - any progress? We'd offered to set up a call between yourselves and our trading desk, and are still happy to arrange this, if you think it would be helpful.

Additionally, where you have flagged certain investment and operating limits, we have the following views (NB where 2 numbers appear, refers to eligible and operational limits):

<u>Test</u>	<u>S&P</u>	<u>MS Comments</u>
Maximum % not publicly or credit estimated by S&P	5-10%	10.0%
Limit on investments in banks/corporates	TBD	TBD
Limit on investments in Structured Finance CDOs	20-17.5% ⁽¹⁾	Accept
Limit on investments in Single Tranche Synthetic CDO	5-4% ⁽¹⁾	Perhaps



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Limit on investments in Synthetic CDO (excluding Single Tranche)	10-8% ⁽¹⁾	combine into one limit of 15-12.5%
Limit on investments in CRE CDOs	NA	5-4%
Limit on investments in CMBS Conduit	30-25% ⁽¹⁾	Accept
Limit on investments in Global RMBS	55-45% ⁽¹⁾	70-65%
Limit on investments in HELs	40-35% ⁽¹⁾	70-65%
Global RMBS US exposure	50% ⁽¹⁾	90%
Limit on country of investments – UK	50-50% ⁽¹⁾	Accept
Limit on country of investments – Netherlands	25-25% ⁽¹⁾	Accept
Max fixed rate assets	5% ⁽¹⁾	TBD
Max servicer exposure	20-15% ⁽¹⁾	Accept

If there is anything you feel that we have not considered from your previous feedback, please let us know. We are hoping that you will be able to consider these points and the termsheet over the next few days, with a view to having a call early next week to discuss.

Thanks and regards,

Navindu

Navindu Katugampola

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